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INTERNATIONAL AFFAIRS

U.S. Proposals on Military Evaluated

92AS0026A Madras THE HINDU in English 9 Sep 91
p 9

[Article by C. Raja Mohan]

[Text] The reported American proposals for expanding Indo-U.S. military ties and the creation of a strategic partnership provide an unprecedented opportunity for the Indian foreign and defence establishments. If taken and built upon, New Delhi could quickly end a wrenching period of strategic indecisiveness and break the mood of despondency that had opposed its recent approach to the world.

The sweeping international changes that have been brought about by Mr. Mikhail Gorbachev's perestroika in the Soviet Union, the end of the Cold War and the Second Russian Revolution last month have dissolved all the traditional reference points of India's foreign and security policies.

The dramatic transformation of international politics over the last few years has been demanding a reworking of the basic assumptions of Indian foreign policy and a reconfiguration of its relations with all the major powers of the world.

Central to this reordering of the Indian foreign policy has been the creation of a new framework for Indo-U.S. strategic cooperation. Fortunately for India, throughout the 1980s, in spite of a difficult international situation marked by Soviet-American rivalry, the American military assistance to Pakistan and the apparently unbridgeable divergence of Indian-American world views, a steady dialogue has been kept up between New Delhi and Washington.

By the late 1980s, the dialogue had begun to bear fruit in terms of increased flow of critical technologies, greater American sensitivity to the dangers of Pakistani nuclear proliferation, Islamabad's sponsorship of terrorism and subversion in India, a better appreciation of India's security concerns, and most importantly, a more positive American attitude on Kashmir, its opposition to a plebiscite and its argument that the bilateral Simla Agreement had superseded the U.N. resolutions on Kashmir.

Breakthrough needed: In spite of the general improvement in Indo-U.S. relations, it still needed a major breakthrough to qualitatively transform the relationship. The latest American proposals for intensification of bilateral military contacts that could progressively lead to a strategic partnership, could provide the much-needed breakthrough in Indo-U.S. relations.

In the wake of the visit of the Indian Army Chief, Gen. Rodrigues, to the United States last month, it has now

been revealed that Washington is proposing wide-ranging interaction between the two Armies. The proposals include regular exchange of visits by the Chiefs of Staff and senior commanders, frequent bilateral strategic seminars, exchange of personnel and co-operation in military training among others. Such cooperation, however, need not be limited to the two armies, but could be naturally extended to the Navies and Air Forces.

Difficulties in relationship: Given the past difficulties in the Indo-American relationship, and the deep-rooted anti-Americanism in the Indian political class and the intelligentsia, military cooperation with the United States is bound to be viewed with suspicion in India. The political uproar in India during the Gulf war, when India provided refuelling facilities to the United States points to the difficulty of creating a political consensus in favour of strategic cooperation with the later.

But clearly much has changed in the world and the past ideological premises have little relevance to the formulation of Indian foreign and strategic policies. Strategic cooperation with the United States must be judged on its intrinsic merits and not on the basis of old ideological slogans.

Increased strategic interaction between the two countries serve the interests of both Washington and New Delhi. Why is the United States so surprisingly keen on strategic cooperation with India? With the end of the Cold War, Washington is in the process of redefining both its strategic goals in the Indian Ocean/Asia-Pacific region as well as the means to achieve them.

Key objectives: Preservation of stability and encouraging peaceful change, as opposed to containing the Soviet threat in the past, are the key strategic objectives of the United States in the regions to the east and west of India. For the Asia-Pacific the new American buzzword is 'cooperative vigilance' against threats to peace and security.

Washington sees itself as an honest broker and the interlocutor for peace in the region, where new tensions in the post-Cold War period are likely to emerge. Translated into real-politick, the American goal is to maintain the balance of power in the region among the great powers of Asia: the Soviet Union, China, Japan and India. Such a policy of balancing can succeed only if the United States has functional cooperation with all the major powers.

The absence of a strategic cooperation with India remains a huge gap in the larger dynamics of America's Asian strategy. Filling this gap has become all the more important at a time of increasing Sino-American tensions and the growing ideological isolation of Chinese leadership and the possible new assertiveness of Japan in the Asia-Pacific region.

Far fewer means: Although it is widely proclaimed as the sole superpower following the collapse of the Soviet Union, the United States has far fewer means that ever

before to pursue its strategic objectives in Asia. As the Gulf War has demonstrated, the United States is no longer in a position to maintain peace and security on its own steam but needs extensive cooperation of other great powers as well as regional powers. The continuing squeeze on the American defence budget demands that Washington do more with less in Asia.

The United States is already scaling down its military presence in Asia by about ten percent. It is set to vacate the Clark Air Base in the Philippines. It proposes to maintain its strategic effectiveness through continual military exercises with friends and allies in the region. That is the heart of the strategy of 'cooperative vigilance' in Asia. And India as a great power will have a critical role in its success.

Rightful role: For India, strategic cooperation with the United States will help dramatically transform its own strategic environment into a more peaceful one. For nearly four decades the absence of such a relationship has allowed India's neighbours to hem in and isolate India. Building a new strategic partnership will help India break out of this isolation, that has been made more acute with the changes in the Soviet Union, and regain its rightful role in the international relations of Asia.

The present American proposals are modest, being limited essentially to expanded interaction among the two armed forces. But they must go beyond to encompass joint military exercises to achieve common objectives in the Indian Ocean and Asia-Pacific regions. Cooperation between the two navies would be the most critical.

Further, India's joint military exercises need not be limited to the United States, but must be expanded to include the Soviet Union, France, Japan as well as friendly regional countries. The new opportunities for Indo-U.S. cooperation are far too important to be allowed to become a victim of partisan domestic politics in India.

Li Peng on Planned Visit to India

92AS0054A Madras *THE HINDU* in English 12 Sep 91
p 7

[Boldface words as published]

[Text] Beijing, 11 September: The Chinese Premier, Mr. Li Peng said today that in the new world situation, China and India should put aside past grievances and live in peace and friendship.

The Chinese leader said he had received another invitation from his counterpart, Mr. P.V. Narasimha Rao to visit India and hoped to undertake the trip later this year. He was talking to a PTI delegation.

Mr. Li expressed confidence that relations would improve between India and China and that suspicions would ease with the increase in high-level as well as people to people contacts.

He said he hoped to further mutual understanding through a dialogue on bilateral and international issues. If certain agreements were signed, there would be a positive result, he added.

Topic for talks: The establishment of a new international order would be the topic for talks between the Prime Ministers of the two countries, Mr. Li said.

He forcefully declared that the world should not be monopolised by one power or a group of powers and that the new order should be based on the five principles of peaceful coexistence.

In response to questions, Mr. Li said the changes in the Soviet Union and consequent disintegration of the "old world order" had made the situation in the Third World countries more grim. But large countries like India and China should adhere to their own policies and not to be swayed by those changes.

Similar views: Mr. Li said the collapse of the old order characterised by confrontation between the two superpowers had failed to bring about peace but had made the world more turbulent. In the recent past, China and India had had similar views on major international issues and this was a positive feature.

He said in reply to a question that while it was true that China and Pakistan enjoyed "sound relations," it was in no way an impediment to normal relations between China and India.

He expressed the hope that disputes between India and Pakistan would be solved through political consultations instead of armed conflict.

Mr. Li met the PTI delegation in Zhongnanhai, the seat of the Chinese Communist Party and Government, soon after his meeting with the Vietnamese Foreign Minister, Mr. Nguyen Manh Cam. This is the first time the Chinese Premier has met such a delegation. In 1988, a PTI delegation was met by the Vice-Premier, Mr. Wu Xueqian.

The delegation led by Mr. Aveek Sarkar, included Mrs. Shobhana Bharatia (*HINDUSTAN TIMES*), Mr. R. Lakshmpathy (*DINA MALAR*) and the PTI General Manager, Mr. G.S. Kundapur. The Indian ambassador, Mr. Salman Haidar was present during the Premier's meeting with the delegation.

Writer Sees Turning Point in Sino-Indian Ties

92AS0109A Madras *THE HINDU* in English 27 Sep 91
p 8

[Article by Anand K. Sahay, Special Correspondent in New Delhi: "Turning Point in Ties With China"]

[Text] A good deal which is positive has happened in Sino-Indian ties since Rajiv Gandhi's vista-opening visit to Beijing as Prime Minister three years ago. A deepening of the new understanding between the two countries is to be expected when the Chinese Prime Minister, Mr. Li Peng, arrives here before the year is out.

Two important agreements are expected to be signed on the resumption of border trade between India and China and on opening of consulate offices, thus providing for a broadened sweep of confidence-building between the two countries.

These measures would also no doubt testify to the desire for people-to-people contact between two giant neighbours characterised by a large measure of uneasiness in their recent history. The need for an enhanced level of contact can hardly be over-stressed when the world is suddenly changing fast in the aftermath of the Gulf war and the collapse of Moscow as a countervailing power to Washington.

On Road to Healthier Ties

There is evidence that both countries realise that they would be better able to ward off undesirable external pressures, economic, political or ideological, from neighbouring regions or great powers, if the impression could be established that mutual suspicions between the two are a thing of the past and that India and China are now well embarked on the road to a healthy relationship.

Given precisely this context, it is surprising that the Prime Minister, Mr. P. V. Narasimha Rao, chose not to say a word on China when he intervened in the Lok Sabha discussion on international affairs last week. The omission stands out as all the more glaring when it is considered that the Prime Minister had something significant to say on ties with every other neighbour of India. Mr. Narasimha Rao's conspicuous silence on China also marks a sharp contrast with the fairly effusive references to Sino-Indian relations made by the Chinese Premier less than a fortnight ago when the visiting PTI delegation called on him.

It cannot be anyone's case that the Indian Prime Minister is not keen on broadening and deepening ties with China. Indeed, the opposite is true. When he became Prime Minister in June, one of the first things Mr. Narasimha Rao did was to renew the Indian invitation to Mr. Li to visit India. Moreover, the Prime Minister had the backing of the entire House, including the traditionally pro-U.S. BJP [Bharatiya Janata Party], on the question of broadening friendship with China. In the circumstances, Mr. Narasimha Rao's silence on China in his Lok Sabha speech is all the more intriguing and has raised speculation if his omission was not "tactically" linked with the current Indian wooing of the United States at a time when China has made known that the United States is trying to put it under squeeze.

India's keenness to reinvigorate ties with the United States, indeed to open up new channels of friendship, is

unexceptionable, but it can only be a sign of lack of self-assurance for the leadership of the country if it is not able to keep its dealings with one country perfectly in the open while declaring its desire to do business with another. 'Sotto voce' interactions have never before been a characteristic of India's foreign policy. To begin in such a manner now is certain to cause incalculable damage to India's sagging international prestige at a time when world political equations are being reordered.

When Mr. Li visits India towards the end of the year, the first Chinese Prime Minister to do so in thirty-one years, the context would be far more propitious than it was when Zhou En Lai was here. Dark clouds had begun to gather over Sino-Indian ties at the time of Zhou's visit. The rest is history. Fortunately now, the reverse process has already been set in motion. But the 'bhai-bhai' era cannot be a mechanical transplant from the past and the re-building of the relationship has to be strictly on merits.

Border Question

The border question has been the traditional stumbling block, but both sides have slowly over the years, after an agonising start in the early Eighties, come to take the realistic view that the issue is amenable to settlement if a reasonable approach is adopted. This automatically rules out waving the flag and the reiteration of all that has been negative in the past and calls for the belief that wiping out old animosities is of value to both sides.

From India's point of view, a more mature understanding with China can be a matter of substantial relief in the Indo-Pak context. As far as the international context is concerned, Sino-Indian normalisation has obvious significance for South-South cooperation at a time when the international economic environment is likely to grow more and more stringent.

As the border problem is mired in complexity, arising out of both history and politics, not to mention the complicating factor of aroused nationalisms on both sides following the 1962 Chinese misadventure, the first call on the leadership of both countries is to build confidence in each other. Until the border dispute is resolved through acceptable give-and-take, it is important that the tranquillity on the boundary is not shattered.

Joint Working Group

This principle was mooted when Rajiv Gandhi went to Beijing in 1988 thirty-four years after the last Indian Prime Minister had visited China and bears reiteration today. The Joint Working Group on the border which flowed out of that landmark visit is reported to be doing careful, but useful work and has been meeting regularly. Gone is the time when both countries were fighting over procedure rather than tackling the substance of the border dispute.

An important aspect of confidence-building exercise has been military exchanges between the two countries. (A regular and well-established mechanism for civilian exchanges already exists). A team from the National Defence College visited China last year and confabulated with its PLA [People's Liberation Army] counterparts. Two more exchanges have taken place since, the last being the visit by the chief of Indian Military Intelligence a few months ago.

Salutary Effect

In the overall atmosphere of the willingness of the two countries to renegotiate ties, these have had a salutary effect on the long border between India and China. Consequently, India has already found it possible to redeploy troops from the eastern frontier to the west.

China has also displayed some political flexibility in its dealings with India in the recent period. On Kashmir, for instance, it has for some time been taking the view that India and Pakistan should sort out the matter between themselves by evolving appropriate bilateral mechanisms. This accords with India's position that the matter must not be internationalised by Pakistan, but falls short of recommending the Shimla agreement. Nevertheless, it is a beginning.

Time-Consuming Process

On Arunachal Pradesh, China has not changed its position that the north-eastern State is not a part of India. But it has been observed lately that China no longer states this at every opportunity, preferring now not to make this a sticking point in resolving the border question which, of course, is going to be a time-consuming process.

Depending on how Mr. Li's visit goes, it is to be seen if India and China can establish common working positions in the United Nations and other multilateral forums with a view to expanding the scope for collective leverage of the developing countries in a world dominated by the Western alliance.

Reports on Facets of Indo-Soviet Relations

Future of Indo-Soviet Pact

92AS0024A Calcutta THE TELEGRAPH in English
1 Sep 91 p 5

[Text] New Delhi, Aug. 31—Though a formal exchange of letters on renewing the Indo-Soviet treaty for another 20 years has already taken place, the coup-related changes in Moscow have plunged its future into uncertainty and there are both political and legal question-marks on its validity.

The protocol finalising the renewal of the treaty has not been signed yet and with the Soviet Union deep in turmoil, the ministry of external affairs can at best hazard guesses on when the initials will be put on it.

Originally signed between Sardar Swaran Singh and Mr Andrei Gromyko, the then foreign ministers of India and the Soviet Union, the protocol for renewal was to have been initialled by the external affairs minister, Mr Madhavsinh Solanki and the former Soviet foreign minister, Mr Alexander Bessmertnykh.

Mr Bessmertnykh was, in fact, scheduled to come to New Delhi in the second half of September for signing the protocol.

However, the coup and the upheavals following Mr Mikhail Gorbachev's return intervened and Mr Bessmertnykh himself had to resign. Neither the external affairs ministry nor the Soviet embassy here have any clue whether the new Soviet foreign minister, Mr Boris Pankin, will be able to make it to New Delhi for the signing ceremony. The odds are that he will not attend, certainly not in the foreseeable future for the Soviets have other urgent matters to attend to.

Grave doubts are also being expressed in foreign office circles here about the workability of the Indo-Soviet treaty now that the Soviet Union itself appears to be disintegrating. Although the Prime Minister, Mr P.V. Narasimha Rao, has expressed confidence that the events in the Soviet Union will not affect Indo-Soviet ties, there are apprehensions that the treaty might not mean as much as it used to.

Of particular concern is the defence component of the treaty. Apart from modernising and upgrading its armed forces, India also depends upon the Soviet Union for spares and repairs of defence equipment bought from them.

The defence minister, Mr Sharad Pawar, is learnt to have voiced his apprehensions. Mr Pawar was scheduled to go to Moscow next month for talks with his Soviet counterpart but it is not certain now whether his trip is on.

With the power of the Union government being reduced and the Soviet republics extracting more rights and independence, the treaty will undergo a natural dilution, it is felt.

"If the Union government in Moscow is not able to enforce its will on the republics and if the republics themselves become more important than the Union government in many respects, specially trade and commerce, what is the point of a treaty with the Union Soviet government?" asked an external official affairs ministry.

Rao Remarks Clarified

92AS0024B Calcutta THE STATESMAN in English
30 Aug 91 p 7

[Text] New Delhi, Aug. 29—The Prime Minister Mr P.V. Narasimha Rao, today said Mr Gorbachev was not the subject matter of a statement made immediately after the coup in the Soviet Union last week, which had attracted criticism, reports UNI.

"What I said was in connexion with Rajiv Gandhi. Mr Gorbachev was not the subject matter of those sentences at all," Mr Narasimha Rao clarified in an interview to German news agency DPA.

Asked what he said at that time really mean, the Prime Minister said "I don't know what has come in the newspapers. I haven't read it. I find that unwittingly it has attracted a lot of comment."

What he said was that Rajiv Gandhi and Mr Gorbachev had a very good relationship and in that connexion was explaining what Rajiv Gandhi did in international affairs by way of forging good personal relationship with heads of State or Government.

The Prime Minister said: "Now, on this side Rajiv Gandhi is no more. On the other side Mr Gorbachev just in those days was in a very difficult situation where he was overthrown. This was what I tried to compare, but I did not make any value judgment on what Gorbachev should have done or should not have done. But said in a general way that when you are making a change, the pace of the change, the magnitude of the change are both important... if there is no balance or if both being correct in themselves and if they are found to be either in excess or less than what is needed by the circumstances there is a mismatch."

Mr Narasimha Rao said that political developments in the Soviet Union would not have "any adverse impact on Indo-Soviet relations."

He said: "We are changing. They are changing. But the relations between two countries do not necessarily depend wholly on the changes that come." They depend on more permanent features, their own geo-political history, their own backdrop and their own interests, changing from time to time.

Mr Narasimha Rao is scheduled to visit Germany next week in connexion with the inauguration on festival of India there.

On the nonaligned movement, he said it still had relevance. The content of the relevance has changed. "It was bloc-oriented content sometime back, before that it was the independence-oriented content, the neutrality content—all these stages we have passed. Today, we have to think in terms of the special problems of the developing countries," the Prime Minister added.

Indo-Soviet Defense Cooperation To Continue

92AS0049A Calcutta THE TELEGRAPH in English
5 Sep 91 p 4

[Boldface words as published]

[Text] New Delhi, 4 September: The minister of state for defence, Mr. S. Krishna Kumar, today told the Lok Sabha that the Soviet Union has pledged to keep its promise supplying defence spares to India.

Mr. Kumar, who had visited the Soviet Union a few days before the coup attempt, said out of a list of 14 major items, the two sides had signed a protocol in the continued supply of 10 items.

Mr. Kumar, intervening during the debate on the demands for grants for the defence ministry, said defence cooperation between the two countries would continue despite the cataclysmic changes in the Soviet Union. He, however, added that India would also keep its options open for the procurement and modernisation of defence equipment from sources other than the Soviet Union.

The minister said the defence allocation this year was only 3.8 percent higher than the revised estimates of last year. This was lower than the recommendations of the defence expenditure committee and the demands of the three services, but the defence forces would have to operate within the available resources, he said.

Mr. Kumar said on the other hand Pakistan's per capita expenditure on defence was more than double that of India. He said the Indian defence forces were being streamlined for optimum utilisation of the available resources.

The minister said although the security environment was improving worldwide, the situation in the Indian sub-continent was "extremely serious." Listing the threat perceptions, he said Pakistan had embarked upon a serious nuclear programme and was arming itself at a high rate with more sophisticated weapons. He said China and the United States continued to supply Pakistan with arms.

Mr. Kumar said the government has worked out a detailed and systematic assessment of the strategic and technological environment in the region to strengthen its defence preparedness for the next five years.

He said the document will form the basis for determining the principal defence strategies in the Eighth Defence Plan. He said the document, prepared by the ministries of defence and external affairs, was presently in the process of discussion.

Mr. Kumar said the government was concerned over Pakistan's attempt at destabilising Punjab and Jammu and Kashmir, and assured the House that the detailed assessment will ensure that the defence expenditure is properly planned.

One-rank, one-pension: On the issue of one-rank-one-pension, he said the government was trying to arrive at a consensus and, therefore, was holding talks with the leaders of the Opposition.

Expressing hope that a favourable solution would be soon found, he noted that if the civilian employees of the defence ministry were included in the scheme, then the expenditure for a year would go up to Rs. 1,200 crores.

Gift for Pak: India is verifying a report regarding the gift of 300 Soviet-built tanks to Pakistan by Saudi Arabia, an official spokesman said here today, according to the UNI [United News of India].

"We have seen the reports in a section of the Press and are making necessary enquiries," he said. The report said the Soviet-built tanks were captured by the U.S. troops from Iraqi forces during the Gulf war.

The first consignment of T-72 tanks was lifted from the Saudi port of Dammam to Karachi.

Venkataraman Opens Commonwealth Conference
*92AS0113A Bombay THE TIMES OF INDIA
 in English 24 Sep 91 p 1*

[Article: "Reduce Arms Expenditure: RV"]

[Text] New Delhi, Sept. 23—The President, Mr. R. Venkataraman, said here today that while the recent agreement between the United States and the Soviet Union on reduction of strategic nuclear arms was a "tangible contribution towards a nuclear-free world," there was "still immense scope worldwide for a greater reduction of expenditure on armaments."

He was inaugurating the 37th Commonwealth parliamentary conference in the ornate central hall of Parliament. Over 300 delegates from 40 countries are participating in the conference.

The President said: "Economic disparities and ecological degradation stare us in the face. We are assailed by a sense of foreboding that we are inhabiting a chaotic universe of competing social, economic and political forces and unless appropriate measures are adopted, the very preservation of the human species will be in jeopardy."

"I believe that the source of most of our troubles is in the unholy desire of man to dominate over his fellow-men, to deny those basic human rights to others which he wants for himself," he said.

He said while there had been encouraging developments in South Africa, much remained to be done for the basic political rights of the people of that country.

Referring to various forms of parliamentary system, the President emphasised that ultimately a system was "only as good as the people who operate it." Political resilience and recognition of the need and desire for adjustments to changing situations are the basis of democratic functioning.

"Parliamentary processes have come under critical review in some countries, including those that have been members of the Commonwealth. Alternatives have been thought of, seriously suggested and sometimes actually experimented with. Presidential forms of government have been tried by erstwhile democracies of the Westminster type. At the same time, presidential systems

have been sought to be replaced by parliamentary democracy in certain countries."

Mr. Venkataraman added, "If worked properly and honestly, there is perhaps no better substitute for representative parliamentary democracy. With all its deficiencies, it is still superior to all other systems that human ingenuity has so far been able to devise. There is no other system which better protects the rights of the individual through the rule of law and which enables, through the mechanism of debate and free discussions, the ventilation of the grievances of the people."

Referring to the strength of the parliamentary system in India, he recalled the ten general elections held since Independence, besides the elections to the state legislatures. "Electoral verdicts apart, it is clear that the deciding voice is firmly and irrevocably that of the people," he said.

The Prime Minister, Mr. P. V. Narasimha Rao, while welcoming the end of the cold war and related developments, emphasised that the new international order should be based on the principles of democracy.

In his welcome address, the Lok Sabha speaker and president of the Commonwealth parliamentary association, Mr. Shivraj Patil, stressed the imperative need for concerted efforts by all countries to tackle common problems.

There was also need for close cooperation to make effective use of land and ocean resources, besides the advance in space technology.

Solanki Interviewed on Departure for Accra
*92AS0030A New Delhi PATRIOT in English 4 Sep 91
 p 6*

[Text] India is seeking stronger political relations with the United States through better understanding of each other's perceptions and concerns and by working together in various fora a matter of common interest, [as published] according to External Affairs Minister Madhavsinh Solanki.

On the whole, the new Government will pursue an "active and a dynamic" foreign policy to meet the challenges facing the nation and take advantage of the opportunities being thrown up, he told UNI before leaving for the Non-Aligned Movement (NAM) Foreign Ministers' meeting at Accra.

Denying reports that India had titled its foreign policy in favour of the United States, Mr Solanki pointed out that the two countries were the largest democracies in the world with close links and many shared values and objectives.

Mr Solanki also said the External Affairs Ministry was in the process of implementing a new economic foreign policy aimed at using diplomacy as a means to subserve the country's economic interests abroad.

Such a policy was a direct consequence of the recent economic reforms announced by the Government, he said.

"India stands on its own," Mr Solanki said, in reference to reports that the country's foreign policy was gradually tilting towards the United States.

At the same time, he saw many possibilities of expanding cooperation between the two countries in fields like science and technology, trade and investment.

"We are confident that the new climate for investment and trade built up following the major policy changes initiated by the Government will help significantly in increasing our bilateral co-operation," he observed.

"Our businessmen and experts in various fields have to get together to work out ways and means of achieving this. I am happy to say that this process has already started," he said.

At Accra, Mr Solanki said, India would suggest measures in the political, economic, environment and human rights fields for adoption by the NAM.

Mr Solanki disclosed that Yugoslavia, despite its current difficulties, had indicated its willingness and ability to continue as the NAM Chairman till the next Summit in 1992, when a new Chairman would take over.

According to him, the elimination of cold war rivalries, new agreements in the field of disarmament and the progress in elimination of apartheid in South Africa were vindication of the objectives for which NAM had struggled in the past four decades.

"We believe that NAM continues to be relevant in the changed international political scenario," he said.

Mr Solanki disagreed with the view that NAM had not been able to play any significant role, especially since the Cyprus Summit when a sub-committee was set up to examine the movement's relevance.

"Once [as published] has to keep in view that NAM is a grouping of 102 member-states whose perceptions on international issues may sometimes not be identical. As the process of decision-making is by consensus, it often requires time and protracted negotiations," he pointed out.

According to him, NAM's main significance had been in putting moral pressure on the parties to various conflicts. This had generally helped in the final resolution of problems, he said.

Mr Solanki said the concentration of economic power and technology with developed countries had not prevented NAM from articulating the interests of the developing countries.

He believed that NAM would continue to play an important role in voicing the views of developing countries on international economic problems of common concern like terms of trade and resource and technology flows.

In Mr Solanki's view, far from being dominated by a single super power, the world had become much more inter-dependent today than ever before.

"And in this inter-dependent world, NAM provides a very useful forum to otherwise weak and small developing countries to consult each other and project their views effectively on issues of common interest," he said.

Mr Solanki reiterated NAM's great faith in the United Nations as the only universal multi-lateral framework dedicated to peace, disarmament and development.

He said the Accra meeting was expected to make certain specific recommendations for strengthening the United Nations and for democratising the decision-making procedures of its important bodies like the security council.

Mr Solanki said the Accra meeting might also consider a proposal for expanding the Security Council in keeping with the vastly expanded composition of the UN General Assembly and the current power configuration in the world.

He said India's suggestions regarding a concrete programme of action to strengthen the effectiveness of NAM were reflected in the draft report prepared by Ghana in consultation with various countries.

Mr Solanki felt there had been considerable progress in dismantling of the "statutory pillars" of Apartheid in South Africa since the release of Nelson Mandela.

Asked how he planned to go about the task of bolstering India's image abroad, Mr Solanki observed that while the style of conduct of diplomacy might vary from government to government, there was a broad consensus on the essential principles of the country's foreign policy, "based on the need to promote our national interests and to play an active role in fostering international co-operation."

Declaring his intention to pursue an active and dynamic foreign policy, Mr Solanki said he would be focussing specially on efforts to improve relations with India's neighbours and with its major partner countries.

Reportage on Prime Minister's Visit to Germany

Meetings in Bonn

92AS0043A Madras INDIAN EXPRESS in English
7 Sep 91 p 11

[Boldface words as published]

[Text] Bonn, 6 September: Prime Minister Narasimha Rao told the German government and industry that the

radical economic reforms initiated by his government were "irreversible" and that "there would be more in the same direction."

Mr. Rao, who had extensive talks with Chancellor Helmut Kohl and the two ministers in the German government handling economic portfolios—Mr. Carl-Dieter Spranger and Dr. Juergen W. Moellemann—promised to further cut bureaucratic red tape and called upon German industry to step up investments in India.

Conscious of the prevailing scepticism in Germany about the longevity of the new thrust given to economic policies, the Prime Minister averred that the process of liberalisation was here to stay and that the changes brought in by his government were only a logical continuation of the process initiated by Mrs. Indira Gandhi and Mr. Rajiv Gandhi during the 80s.

Following his meeting with the two economic ministers, Mr. Rao had an interesting talk with the captains of German industry, during which the latter expressed their fears about the Indian bureaucracy. Mr. Rao assured his audience that the Indian bureaucrat was a "very well trained animal" and that once a direction was given, the bureaucracy would implement it.

Three significant points that figured during Mr. Rao's meeting with German industrialists and businessmen were:

- 1) The complaint that there was enormous paperwork to be done to set up units in India;
- 2) The Indian bureaucracy and its possible resistance to loosen up;
- 3) and India's stand on intellectual property rights.

The Prime Minister indicated that his government would reduce paper work, if for nothing else, because there is a shortage of paper. The government, he said, was already onto the task of simplifying procedures. The administration, he said, would respond positively to the initiatives. As regards intellectual property rights, the Prime Minister said negotiations were on and India would make a positive contribution.

The Germans found the exim scrips a novel idea. Answering a query on the government decision to permit foreign companies to have 51 per cent to equity, Mr. Rao said this would apply to companies which are already established in India as well.

German assurance: Germany assured India that despite its "tight" finance position it would continue its economic assistance to New Delhi, PTI reports.

The assurance was contained in a speech delivered at a luncheon hosted by the German Chancellor, Mr. Helmut Kohl in honour of Mr. Narasimha Rao.

"As you know, we must economize on our funds. National, European and worldwide demands are placed

on our resources. However, I want to assure you that despite these burdens we are committed to continuing economic assistance to India," he said.

In his speech, Mr. Rao said India's economy was badly affected by the Gulf war and its aftermath. The slowdown trade had its own impact. "We came up against a sharp balance of payment crisis just when political conditions forced an election to parliament mid-way through its term."

Indo-German advisory group: India and Germany, on Friday decided to set up an advisory group.

The decision to set up the advisory group, details of which were still being worked out, was taken at a meeting between Chancellor Kohl and Mr. Narasimha Rao.

Return News Conference

92AS0043B Bombay *THE TIMES OF INDIA*
in English 9 Sep 91 pp 1, 11

[Text] New Delhi, 8 September: The Prime Minister, Mr. P.V. Narasimha Rao, today expressed confidence that Indo-German economic co-operation would get a "facelift" at the earliest possible time, opening new vistas in technology transfer and joint ventures, reports PTI.

Speaking to newsmen on his return from a three-day official visit to Germany, Mr. Rao said the trip had gone off "very, very well" and had achieved the objective with which it was undertaken.

The Prime Minister said the Festival of India, which was inaugurated yesterday in Bonn, was a "resounding success" and had made the greatest impact on the German people.

"During the next few months, this massive people-to-people programme will create a new dimension in the understanding between the two countries," Mr. Rao said.

The Prime Minister disclosed that a Festival of Germany in India would be held in 1993.

One the whole, he said, the cultural side was "very well taken care of."

On the bilateral side, Mr. Rao said he had fruitful discussions on economic matters with the German chancellor, Mr. Helmut Kohl, some ministers of his dealing with economic matters and trade and industry.

He said there were "frank and friendly" views on the possibility of economic co-operation between the two countries.

The Prime Minister was confident that the German government would be very much more forthcoming for a closer economic co-operation and India was looking forward to that phase of relations between the two countries.

The Prime Minister said Germany also had other priorities on their finances but was sure this would not come in the way of Indo-German ties.

Mr. Rao said at the political level, his talks with the German chancellor were very detailed. Every aspect of international relations, including the situation in the USSR, India and its neighbourhood and West Asia figured in the talks.

He said his discussions with Mr. Kohl were frank and held without aides.

Mr. Rao described his discussions in Germany as very good and augured well for close and friendly relations in future.

He said on the economic side, he had taken the opportunity of meeting important leaders of German trade and industry. During the fruitful dialogue, he was able to satisfy them and "we can expect greater understanding from them to invest in India and economic relations getting a facelift in the earliest possible time."

Summing up, Mr. Rao said the visit had gone off very, very well.

Replying to questions, Mr. Rao said he expected closer co-operation in the field of transfer of technology and in due course closer co-operation on the economic side, including joint ventures.

He said the visit was not for going into specifics at all. It was more as a general goodwill visit to renew acquaintances and to renew the relations that existed between India and Germany during Mr. Rajiv Gandhi's reign.

Mr. Rao said Mr. Kohl spoke about the late Mr. Gandhi, the way they were close and the very friendly relations between the two nations at that time.

The Prime Minister said the visit was for the specific purpose of inaugurating the Festival of India and he also took time off to meet those who counted in Germany in trade.

The Prime Minister said he was pleasantly surprised to find that Mr. Kohl not only emphasised economic relations but was also more emphatic on the cultural relations between the two countries.

Mr. Rao said the German chancellor had highlighted the very deep cultural links between India and Germany.

Earlier, talking to newsmen who accompanied him on board the aircraft, the Prime Minister said the German industrialists had complained about delay in the clearance of papers pertaining to various projects which they wanted to set up.

The industrialists felt that the bureaucracy at the lower level were creating problems. The Prime Minister assured them that he would ensure there was no delay in clearing the papers and sort the matter out.

Mr. Rao said he had not compared the bureaucracy with animals during his recent remarks in Germany.

Replying to a question on his reported views that the Indian bureaucracy was a very well-trained animal and once told what to do it would do it, the Prime Minister said those who knew the language and strain in which he said it would very well understand the spirit behind it.

"I do not think there is need for distortion at all," Mr. Rao said adding that when one says man is an animal, it is a phrase which he uses.

On the recognition of the three Baltic states by India, the Prime Minister said it was just a matter of formality.

About the Non-Aligned Movement, Mr. Rao said India hoped to play an important role at the next NAM summit.

Asked about his remarks that the economic initiatives taken by his government were irreversible, Mr. Rao said there would be no U-turn in the steps taken.

Achievements Noted

92AS0043C Madras INDIAN EXPRESS in English
10 Sep 91 p 9

[Article by A. Surya Prakash; boldface words as published]

[Text] New Delhi, 9 September: A firm commitment by German leaders that they would support India's request for accommodation from the International Monetary Fund, an agreement that ensures German aid of 390 million DM for the current year and overall appreciation for the economic policy changes introduced by the government recently are some of the positive gains of Prime Minister P.V. Narasimha Rao's three-day visit to Germany.

Given the brief duration of the tour and the constraints that its timing imposed on all concerned—Germany is terribly preoccupied with itself these days—the Prime Minister appeared to have set some modest goals for himself when he embarked on his first visit abroad. It was therefore only natural that he felt 'happy and satisfied' on his return, though those who expected something spectacular to happen may be disappointed at the outcome.

Two messages: The Prime Minister had two important messages to convey to those who matter in Germany:

1) That the political system in India had not gone awry and despite heightened violence and political instability preceding the elections to Parliament, a stable government was firmly in place in New Delhi.

2) The government had taken a conscious decision to open the economy to foreign investment and to introduce a degree of competitiveness in Indian industry and there was no going back on this.

Going by the response of Chancellor Kohl and the two economic ministers to the views expressed by Mr. Rao and the encouraging reaction of German industry to the new initiatives, the Prime Minister appears to have achieved a measure of success in getting these messages across.

More than aid, what India is looking for is a positive response from German industry and trade to the liberalisation policy that allows foreign companies to have a majority holding in some select areas. Given the happy experience that the government and Indian industry has thus far had with German companies, the government would like the Germans to respond in a big way to these changes. Since India offers a huge market for their products, New Delhi expects German industry to respond enthusiastically in the coming months.

Currently, most of the major German companies, with the exception of the consumer-goods industry are represented in India or have concluded long-term contracts with Indian partners. With its new policy, India has become an attractive production location in the Third World. India, in addition has a reservoir of technical and scientific talent. German industrialists acknowledged these positive features during Mr. Rao's visit but it could take some time for investments to flow in.

Currently, Germany is looking inwards and is anxious to quickly modernise and integrate the eastern part of the country. Secondly, the political developments in Eastern Europe in the last two years have thrown up fantastic investment, production and market opportunities closer home for the German entrepreneur. It is not going to be an easy task to get him to evince interest in India.

German mood: Chancellor Kohl succinctly summed up the German mood when he said at a luncheon he hosted in honour of Mr. Rao that the following 'overriding aims' determine the focus of German policies:

- 1) Consolidation of Germany's inner unity.
- 2) Further development of the European Community and creation of a United States of Europe.
- 3) Support to reforms in Central, Eastern and South-eastern Europe;
- 4) Ensuring security throughout Europe and establishing a peaceful order in the whole continent and
- 5) To live up to united Germany's growing responsibility for maintaining peace and security and fostering development worldwide.

Given this order of priorities, diverting German attention to India is not going to be easy. Though the task is daunting, Mr. Rao has made a beginning by choosing Germany for his first visit abroad as Prime Minister.

Remarks in Rajya Sabha

92AS0043D Madras *THE HINDU* in English 14 Sep 91
p 1

[Italicized words as published]

[Text] New Delhi, 13 September: The Prime Minister, Mr. P.V. Narsimha Rao, gave ample hints in the Rajya Sabha today that Germany was willing to help India to penetrate the unified European market which is expected to take shape by 1992.

Replies to clarifications on his, *suo motu* statement on his recent visit to Germany, the Prime Minister said India hoped that the unified EEC market was not an attempt at fortification.

He was responding to questions raised by several members on the last sentence of his statement, which said that "of particular significance is the desire expressed by him (Chancellor Kohl) to me to draw India closer to the new Europe that is emerging."

The Prime Minister refused to elaborate on the sentence beyond saying that the spirit of the assurance from the German Chancellor was that India had friends and need not entertain any apprehensions on the count of a unified European market.

Allaying members' fears on the issue of German aid and investment in India, Mr. Rao said on both counts the German Chancellor gave an assurance to continue the same without any curtailment. "The assurance was without asking despite so many commitments of Germany. India will not be put on the back burner."

The Prime Minister said the net result of his visit to Germany was German Chancellor to continue the quality of relations between the two countries and equally categorical assurance from the Indian side to reciprocate the relationship.

Recognition Granted to Baltic States

92AS0034A Calcutta *THE TELEGRAPH* in English
8 Sep 91 p 1

[Excerpt] New Delhi, Sept. 7—India today reorganised the three newly-independent Baltic states of Latvia, Estonia and Lithuania, welcoming their entry into the "comity of independent nations" and expressing the hope of establishing friendly and close relationships with each of them.

The recognition to the Baltic nations, granted formal independence by Moscow only yesterday, came in the form of messages from the Prime Minister, Mr P.V. Narasimha Rao, who is in Germany, to the Presidents of the three states. An official release from the external affairs ministry said a statement on India's recognition of the Baltic states will be made at the next sitting of Parliament.

India's move to recognise the Baltic states comes close on the heels of a similar move by China earlier in the day. The Centre's earlier stand on recognising them as separate states was that it could be done only after the Soviet Union took a decision about their future.

The Prime Minister expressed happiness in his message at the "peaceful manner" in which the independence of the Baltic nations had come about and said, "I have learnt with satisfaction the decision of the State Council of the Soviet Union to grant independence to the states of Latvia, Estonia and Lithuania." [passage omitted]

Sweden Offers Assistance in Bofors Case

92AS0033A Madras INDIAN EXPRESS in English
8 Sep 91 p 1

[Article by Ajay Suri]

[Text] New Delhi, Sept 7—In a significant development—which is likely to have far-reaching effect in the Bofors case—the Swedish Government has offered assistance to India to unearth the names of the pay-off beneficiaries.

The Swedish authorities had earlier closed their doors to Indian investigating agencies probing the Bofors case, but now the position has changed with the Bofors owner bankrupt and the state becoming the majority owner of the arms company.

In an interview to the Swedish Radio, which went on air on Thursday, the Swedish Foreign Minister, Mr Stern Andersson, said the Bofors archives are now open, in principle, to Indian investigators for such a probe, provided commercial secrecy does not create much problems.

Mr Gunner Berg, the Stockholm-based advocate engaged by the Central Bureau of Investigations [CBI], also sees a 'whole new development' in the Bofors affair in view of Mr Stern's remark. The truth about who took the money via Swiss bank accounts is with the Bofors employees, who now can be made to talk, Mr Berg is reported to have said.

Mr Berg, according to sources, has already informed the CBI in New Delhi about the new situation, but is still awaiting its reply. The Indian government too has so far not responded, at least officially, to Mr Andersson's statement.

In another development last week, the CBI joint director leading the investigating team, Mr K. Madhavan, went on 45 days' leave, days after the Supreme Court gave a go-ahead to CBI to move full steam in the Bofors case. The CBI officials maintain that he has gone to Palghat, his hometown, in Kerala for the renovation of his house.

It is, however, believed that Mr Madhavan is presently in Geneva, Switzerland, in connection with the proceedings in the Geneva Cantonal court which has yet to

accede to the CBI's request to hand over to it the bank documents of four beneficiaries.

The bank accounts of Lotus, Tulip, Svenska and Mont Blanc—the four shadow companies set up by the payoff beneficiaries—in the Union Bank of Switzerland, Geneva, have already been frozen by the Swiss authorities, but the relevant documents could not be obtained by CBI owing to an appeal filed by the beneficiaries in the Geneva Cantonal Court.

"Our main hope now lies in the frozen documents in Geneva bank," the CBI officials told ENS [European News Service?] recently. Rightly so, for although CBI has in its possession the bank documents of the fifth beneficiary—A E Services, owned by Hindujas—which it received from Zurich, they have not proved to be of much help. By the time the Swiss federal court had ordered the transfer of frozen documents, the other four accounts in Nord Finance Bank, Zurich, had already been transferred in Geneva by the beneficiaries.

The documents received by the CBI from Zurich consist mostly of account statements, vouchers and paying slips.

REGIONAL AFFAIRS

Pakistan Commanders Meet Counterparts in No-Man's-Land

92AS0031A Bombay THE TIMES OF INDIA
in English 4 Sep 91 p 1

[Text] New Delhi, Sept. 3—The Indian and Pakistani army sector commanders today held a flag meeting in the no-man's land on the line of control in the Poonch sector as the guns fell silent after four days of intense exchanges, reports PTI.

According to defence ministry sources here, the commanders met at 1230 hours near Kerni village which has been a scene of heavy exchange of fire for the past four days in which an estimated five Pakistani and two Indian soldiers were killed and scores of others wounded.

The exchange of fire which was provoked by the Pakistani troops giving covering fire to intruding Kashmiri militants and later their intrusion into Chedney village has left at least five civilians dead on the Indian side.

The Indian and Pakistani brigade commanders met in a cordial atmosphere and decided to take effective steps to check reoccurrence of such incidents, the sources said.

The meeting was held after the director-general of military operations [DGMO] of the two sides had got in touch to defuse the situation.

The DGMOs had decided to have a meeting of the sector commanders of the area in the no-man's land.

UNI adds: Meanwhile, several members in the Rajya Sabha today demanded a statement from the government on the frequent exchange of fire between Indian and Pakistani troops.

Pakistan Infiltrating People Into Country

*92AS0107A Madras INDIAN EXPRESS in English
12 Sep 91 p 7*

[Article: "Pak's New Ploy To Push People Into India"]

[Text] The desperate attempts of Pakistan to make Mohajirs and Bangladeshis infiltrate into India since June last have now been transformed into a new ploy of sending Indian prisoners, held in Pakistani jails, into India, undetected.

Normally, these prisoners are supposed to be handed over to Indian authorities at the border, as per an agreement between the two countries.

This pattern came to the notice of Indian authorities on Aug. 30 when an Indian prisoner was caught by Railway Protection Force [RPF] personnel at Suranussi railway station on the outskirts of Jalandhar city, according to railway sources.

The prisoner, Sham Lal, told his interrogators that he was among seven Indian nationals who were bundled into a goods train at Lahore on the afternoon of Aug. 29. Though the train was supposedly searched and checked by RPF personnel, customs officials and railway staff at Attari railway station on the same day, none of them was able to detect anyone sent across by the Pakistani authorities on the train.

The train reached Amritsar railway station at 10.15 pm and left it at 3.25 am for onward journey towards Jalandhar on Aug. 30.

Sham Lal, resident of village Satoli in Nagpur district of Maharashtra, said two illegal passengers like him alighted and escaped at Beas railway station where the train halted for two hours and it reached Suranussi around 7 am. Sham Lal said it was about to leave for Jalandhar city railway station at 9.03 am when he jumped out of a wagon but was captured by an RPF jawan.

Railway officials said two more infiltrators were captured from a wagon at Phialaur railway station, 45 km from here, following a tip-off by the Jalandhar railway staff. These were Bharat of Saharanpur in Uttar Pradesh and one Sapru Mani. Both were handed over to government railway police at Ludhiana, the sources added.

Sham Lal said he, and six other Indians, who were working for a private construction company, were captured by Pakistani authorities two years ago when they strayed into their territory while working somewhere in the North West Frontier Agency. They were released on Aug. 27 and pushed into the train two days later at Lahore.

The Pakistani rangers had adopted a similar modus operandi to push in a group of 21 Mohajirs, and Bangladeshis on Sept 3. They were forced into an Indian goods train at Wagah border at gunpoint but the driver of the train brought it to halt the moment it entered Indian territory in the area of Roranwali Border Outpost. When the train guard informed BSF [Border Security Force] sentry at the BOP [Border of Pakistan], they caught all the 21 persons.

This was the first attempt at infiltration by Pakistani authorities through an authorised railway route that has come to the notice of India. Nobody knows if similar attempts had succeeded in the past and there was no guarantee that they would not succeed in future if the case of infiltration of seven Indian prisoners is any indication, as they had escaped detection by checking staff of three Indian agencies.

Rao, Faleiro Discuss Relations With Neighbors

*92AS0041A Bombay THE TIMES OF INDIA
in English 19 Sep 91 p 7*

[Text] New Delhi, Sept. 18 (PTI)—The Prime Minister, Mr P.V. Narasimha Rao, today said India should be prepared for "any eventuality" against Pakistan whose support for terrorism and secessionism had only worsened since his party came to power two months back.

Intervening a discussion on the international situation in the Lok Sabha, Mr Rao said the hopes raised by a special envoy of the Pakistan Prime Minister, Mr Nawaz Sharif, for turning a new leaf in bilateral ties had been belied.

The special envoy during his visit last month had promised that India would see a "definite change on the ground" on the question of Islamabad's support to terrorist and secessionist elements in Punjab and Jammu and Kashmir.

The Prime Minister also said that India would have to take up with Bangladesh the question of its support to terrorist elements operating in the northeast.

Although Dhaka had denied that it was supporting terrorism from its soil, "we are fairly clear that this is happening."

Mr Rao during his 40-minute intervention said whenever political changes had taken place either in Islamabad or New Delhi "new hopes have been aroused" for positive changes in bilateral ties.

"Suddenly, these hopes are dashed to ground. My experience during the last two or three months has been the same," he lamented.

The Prime Minister informed the house that Mr Nawaz Sharif had insisted on sending a special envoy to New Delhi last month. "I expected something new to emerge."

India, he said, while continuing to make efforts to normalise relations with Pakistan would have to live with the element of uncertainty.

UNI adds:

The next round of foreign secretary level talks between India and Pakistan will take place at the end of October, the minister of state for external affairs, Mr Eduardo Faleiro told the Lok Sabha today.

Mr Faleiro said India will continue to work for a new international order, for more substance to the north-south dialogue and strengthening of south-south relations. SAARC [South Asian Association for Regional Cooperation] must be encouraged in the collective interests of the countries of the region, he added.

The minister placed on record India's appreciation of the support given to this country by the United States on the Kashmir issue, with Washington taking the stand that it was a bilateral issue to be settled between India and Pakistan on the basis of the Shimla accord.

Mr Faleiro said Pakistan must provide concrete evidence on the ground about its professed intention to improve relations with India.

It must stop the hostile propaganda against India, cease the efforts to internationalise the Kashmir issue, among other things, he said.

Mr Faleiro told the house that the Pakistan foreign secretary, Mr Shahryar Khan, who visited India recently as the special envoy of his prime minister, had conveyed a message from Mr Nawaz Sharif saying that the two countries must sort out their problems through dialogue and not confrontation.

There was a feeling that both countries must curtail defence expenditure so as to be able to divert more resources for developmental activities, he said.

But soon after, Pakistan had again raised the Kashmir issue at the Accra meeting of the Non-Aligned Movement (NAM) foreign ministers, Mr Faleiro said, adding that the attempt was rebuffed by host Ghana, who felt that bilateral issues should not be brought up at such fora.

Stressing that India's relations with the United States were of crucial importance, Mr Faleiro appreciated the positive stance taken by Washington recently during this country's negotiations with international financial institutions.

On Sri Lanka, Mr Faleiro said India's consistent position was that it stood by the unity and integrity of the island nation but the legal rights of the Tamils there had to be safeguarded.

He said India believed that the Indo-Sri Lanka agreement provided the best and most effective framework for settlement of the ethnic conflict in Sri Lanka.

He said meetings of the two sub-commissions on trade investment and finance and on socio-cultural and educational matters would be held between October 7 and 9, while the Indo-Sri Lanka joint commission was expected to meet by the end of this year.

The joint commission was set up during the Sri Lankan foreign minister's visit to India some time ago.

Mr Faleiro said the recent visit by King Jigme Singye Wangchuk of Bhutan to Delhi was extremely fruitful.

Various outstanding issues between India and Bangladesh were discussed during the Bangladesh foreign minister's recent visit to India, he said.

Mr Faleiro said the next meeting of the Indo-Nepal high-level task force would be held on October 6 in Kathmandu.

He said India welcomed the efforts of the United Nations secretary general for a political settlement of the Afghan issue, adding that this was in line with India's approach for a strong, independent and non-aligned Afghanistan.

Referring to the Prime Minister, Mr P.V. Narasimha Rao's recent visit to Germany, Mr Faleiro said though the trip was mainly in connection with the opening of the festival of India there, the Prime Minister used the opportunity to discuss the global political situation as well as bilateral issues.

Mr Faleiro said Germany had, despite its many commitments in the eastern part of the country and eastern Europe, assured Mr Rao that it would maintain the existing level of economic co-operation with India.

Mr Faleiro also saw hopes of a boost in India-Japan relations because of the government's new economic policies.

Referring to the recent developments in the Soviet Union, the minister said India looked forward to stronger relations with Moscow as well as the various Soviet republics.

He said the situation in the Soviet Union would crystallise after the signing of the new union treaty.

Bangladesh Aid to Assam Militants Protested

92AS0106A Calcutta THE TELEGRAPH in English
12 Sep 91 p 7

[Article: "India Takes Up Ulfa Issue With Bangla Again"]

[Text] New Delhi, Sep 11—India has once again taken up the matter of alleged Bangladeshi assistance to Ulfa militants with Dhaka.

Officials of the Bangladesh high commission here were summoned to the external affairs ministry today and the move indicated New Delhi's concern at reports that

Bangladeshi territory was being used to train and assist the insurgents who have stepped up their activities in Assam.

The matter has been taken up afresh in the context of allegations made by the Assam chief minister, Mr. Hiteswar Saikia, that the Ulfa was receiving assistance from Bangladesh. In a recent statement in the state assembly, Mr. Saikia said China and Pakistan too were providing assistance to the outlawed organisation.

An external affairs ministry spokesman said the matter had been taken up earlier with the Bangladeshi authorities who had denied the allegation. The issue had also figured in talks with the Bangladesh foreign minister who visited New Delhi recently. The foreign minister categorically denied the suggestion, saying it was not the policy of his country to "take hostile actions against a neighbouring country like India."

The spokesman said following Mr. Saikia's statement, Bangladesh had reiterated its denial but the Government of India was taking up the issue afresh.

Asked about allegations on the involvement of China and Pakistan, the spokesman said the matter was being looked into. Pakistan, however, has, with remarkable alacrity, denied the allegation.

INTERNAL AFFAIRS

Rao Interview in Pakistan Paper Reported

92AS0035A New Delhi PATRIOT in English 9 Sep 91
p 1

[Text] Islamabad, Sept 8 (PTI)—Prime Minister P.V. Narasimha Rao has underlined the need for building a tension-free and cooperating relationship with Pakistan on the basis of the Shimla Agreement.

"The interests of the peoples of our two countries and of peace and stability in the region lies in such a relationship," he stated and said the Shimla Agreement offered a basis for such relationship.

In an interview published today in THE MUSLIM, Mr Rao hoped that Pakistan would also work towards creating the right climate for improving bilateral ties.

Reiterating that Jammu and Kashmir [J and K] is an integral part of India, he said India had made it clear to Pakistan that Islamabad's support to terrorist and secessionist forces in Punjab and J and K must cease.

N-issue: Replying to question on Pakistan Premier Nawaz Sharif's recent proposal for a five-nation conference on nuclear issue in South Asia, Mr Rao said the proposal was a tactic to ease pressure in US Congress to suspend military and economic aid to Pakistan because of mounting evidences that it had assembled nuclear weapons.

Last October, the US administration had suspended military and economic aid to Islamabad on President Bush's failure to certify that Pakistan did not possess nukes.

India, Mr Rao said, was committed to a phased programme of elimination of nuclear weapons worldwide as embodied in the action plan New Delhi had presented at the third special session of the United Nations.

Solanki Announces New Foreign Policy Initiatives

92AS0108A Calcutta THE TELEGRAPH in English
14 Sep 91 p 1

[Article: "New Foreign Policy To Boost Exports"]

[Text] New Delhi, Sep. 13—The external affairs minister, Mr. Madhavsinh Solanki, has announced a new set of foreign policy initiatives in the context of recent changes in India's economic policies, emphasising the need to increase exports, attract foreign investments and enhance technology flow into the country. These measures, essentially promotional in nature, are meant to maximise the benefits of the liberalisation and delicensing of the economy.

Presenting the new initiative before members of the parliamentary consultative committee attached to his ministry last night, Mr. Solanki said the need for a fresh approach was felt all the more because of the "increasingly unfavourable and at times even hostile" attitude towards Third World countries in this respect.

According to Mr. Solanki, the external affairs ministry had identified target areas that require special focus in the context of increased exports and capital and technology inflow. A reassessment of the strength of Indian missions abroad was also being undertaken with this objective in view. Special attention is being paid to regions of high NRI [Nonresident Indian] concentration in a bid to increase exports and channelise foreign investments.

A significant suggestion in this regard, made by a consultative committee member, was that India should avail of the economic opportunities offered by the changes in the Soviet Union and east Europe by taking advantage of her old ties and of her geographical proximity to the central Asian republics.

An important part of the initiative would concern the publicity of recent changes in the Indian economy. Mr. Solanki said that specific steps like the production of brochures and audio-visual presentations had already been initiated. In addition, the publicity drive would include the holding of seminars and workshops on the subject in selected foreign countries. The first such seminar is being held next month in Singapore.

The foreign services training institute in New Delhi is also engaged at the moment in formulating training programmes for commercial representatives abroad to

disseminate the message of changes in the Indian economy. The ministry has also involved apex trade and industrial organisation like FICCI [Federation of Indian Chambers of Commerce and Industry], CEI [Confederation of Engineering Industry], ASSOCHAM [Associated Chamber of Commerce] and FIEO [Federation of Indian Export Organizations] in its effort. The minister of state for external affairs, Mr. Eduardo Faleiro, has already had a meeting with representatives of these organisations in the context of the recent changes and their impact on India's external trade relations.

According to the spokesman of the external affairs ministry who briefed on the deliberations of the consultative committee meeting, members welcomed the new initiative but urged the government to exercise due caution to ensure that national interests were "duly safeguarded while pursuing new policies." One of the members felt that Indian missions abroad should not only act as guardians of Indian exporters but also as "safeguards for foreign importers." For this, he felt, the ministry of external affairs should acquire the necessary means, legal, if essential, to "compel, persuade or cajole" exporters to meet shipping schedules, quality standards and other contractual obligations.

Annual Summaries Given on Foreign Policy

Stand on UN

92AS0023A Bombay *THE SUNDAY TIMES OF INDIA*
in English 1 Sep 91 p 8

[Text] New Delhi, August 31—While India welcomes the increased effectiveness of the United Nations in dealing with threats to international security and resolving conflicts, it feels there should be "wider application of the democratic principle in the decision-making procedures" of the world organisation.

"While the trend increasingly is to extend support in ushering in pluralism and democracy in individual states, equality and democratic decision-making are absent in the functioning of international organisations—the U.N. Security Council in particular," says the annual report of the external affairs ministry for 1990-91. This could have "most disturbing implications for developing countries."

The report points out that the political preoccupation of the industrialised countries with Eastern Europe and their "disregard" for development issues have hampered the revival of the north-south dialogue.

It also expresses concern at the "increasing tendency to interfere in the internal affairs of developing countries on grounds of human rights and for the purpose of securing disarmament on a selective and discriminatory basis."

The deepening of the debt crisis and the erosion of norms, rules and regulations of the international monetary, financial and trading systems could adversely affect countries like India, the report says.

It notes that the transformation in east-west relations has changed the context but not the relevance of the Non-Aligned Movement (NAM). With its position against blocs having been vindicated, it would now have to concentrate increasingly on the north-south divide, disarmament, environment and the democratisation of the multilateral system under the United Nations.

Having been elected to the Security Council for a two-year term in January this year, India was directly involved in its deliberations and decisions on the Gulf conflict. "India's position on each question reflected its principled opposition to the use of force as well as its concern that all actions of the Security Council should be in conformity with the U.N. charter."

India, the report states, took a series of initiatives to find a non-military solution to the Gulf crisis. Two meetings of non-aligned countries were held with this object in Belgrade in September 1990 and January this year on New Delhi's initiative.

The report said India was continuing its bid to persuade Pakistan to abandon its negative approach towards it and help establish a good-neighbourly and tension-free relationship on the basis of the Shimla agreement.

Relations With Neighbors

92AS0023B Calcutta *THE STATESMAN* in English
31 Aug 91 p 12

[Text] New Delhi, Aug. 30—Voicing concern over recent reports regarding developments in Pakistan's nuclear programme India has reiterated the hope that Pakistan would not indulge in any misadventure. Should it do so, India had the capability to meet the challenge in whatever form it might arise, according to the annual report of the Ministry of External Affairs for 1990-91.

The report points out that bilateral relations with Pakistan had come under severe strain on account of the latter's continued abetment of terrorism, directed against India, in Punjab and Jammu and Kashmir. This had been accompanied by inflammatory statements made by Pakistani leaders attempting to deliberately misrepresent the situation in Jammu and Kashmir.

India had conveyed to Pakistan in unequivocal terms that its continued support to terrorism was not only in contravention of the Shimla Agreement and of universally accepted norms of inter-State conduct, but also adversely affected any confidence-building in bilateral relations. It also worked against the long-term interest of peace and stability in the region.

India hoped that Pakistan would join India in its endeavour to normalize relations and to promote peace and stability in the region.

On Nepal, the report refers to the strains that had developed in the relations, especially after the lapse of the Indo-Nepal treaties of Trade and Transit in March, 1989 and consequently, on the non-fulfilment by Nepal of the commitments made when a new trade treaty was negotiated and initialed in October, 1988. The visit of the Nepalese Prime Minister, Mr K.P. Bhattarai, to India in June last year ended with the signing of a joint communique which restored the status quo ante in bilateral relations to April 1, 1987, a period before tensions surfaced.

Both sides undertook to fully respect each other's security concerns, not to allow activities in the territory of the one prejudicial to the security of the other, and to have prior consultations, with a view to reaching mutual agreement on such defence-related matters which in the view of either country, could pose a threat to its security.

The report says that there was a steady improvement in relations with Bangladesh during the year. The visit of the Bangladesh Foreign Minister to India in May imported a positive momentum, and a meeting of the Joint Economic Commission was held in May after a gap of seven years.

The restoration of the democratic rights of the people of Bangladesh was a welcome development and India, the report says, was looking forward to working closely with the democratically-elected Government in Bangladesh.

As regards Sri Lanka, the report says that India's objectives were the safety and security of the Tamils in the island, fostering the process of political solution through talks as the only basis for resolving the ethnic issue, contributing to peace and normalcy in Sri Lanka and to restore Indo-Sri Lanka relations to levels of cordiality and friendship.

It says that India is extremely concerned at the outbreak of hostilities between the LTTE [Liberation Tigers of Tamil Eelam] and Sri Lankan armed forces, which have led to civilian suffering and casualties.

Relations With U.S.

92AS0023C New Delhi PATRIOT in English 30 Aug 91 p 1

[Excerpt] The ongoing interaction between India and the United States has "generated a greater degree of understanding and sensitivity to each other's concerns and interests," according to the annual report of the External Affairs Ministry, reports UNI.

The 1990-91 report, released on Thursday says India's effort has been to enlarge the existing areas of cooperation with the United States, encompassing the commercial, scientific, technical and cultural fields.

It says India believed that building "a mutually beneficial and mature relationship is a goal shared by both India and the United States."

The report says a series of high-level visits and exchange of views have brought about a better appreciation of India's standpoint on a wide range of issues, including on the situation in Punjab and Jammu and Kashmir in the context of Pakistan's role in aggravating the situation. [passage omitted]

New Foreign Policy

92AS0023D Madras INDIAN EXPRESS in English 2 Sep 91 p 14

[Article by Arati R. Jerath]

[Text] New Delhi, Sept. 1—The turmoil in the Soviet Union has made the long due overhaul of India's foreign policy an imperative and the sooner South Block changes its mindset to accept the reorientations necessitated by the new economic policies, the easier it will be for India to adjust to the rapid global changes that are taking place, feel several foreign policy analysts.

These experts point out that the writing on the wall was obvious several years ago. Unfortunately, India was slow to react to the implications of the end of the cold war as was obvious in South Block's blunder on the Gulf war.

Having failed to seize the initiative earlier, South Block is now faced with the sudden disintegration of the prop it had in the Soviet Union for over two decades, forcing it to begin the painful process of reorientation overnight.

"We will have to learn to stand on our own feet now and rely on ourselves," emphasized Mr. A.K. Damodaran, former secretary in charge of policy planning in the Ministry of External Affairs. South Block's problems stem from the fact that the whole conceptualisation of India's foreign policy was based on the existence of a bipolar world with the Soviet Union as a major power, feels Mr. Bhabani Sen Gupta of the centre for policy research. The USSR as it existed was an important instrument of the country's foreign policy. Now India has to search for alternatives, which are not easily available.

Immediate task: India's immediate task, feel these analysts, is to mend its fences with the United States which has emerged as the main economic and political power. "We should have done this a long time ago but the knee-jerk reaction of jingoists in this country to see the CIA under their bed all the time has been our bane," asserted former Foreign Secretary, Mr. A.P. Venkateswaran. "But the only alternative now is to establish a better working relationship with the United States."

He dismissed quite decisively fears that any foray into the US camp would compromise India's cherished independence. "We shouldn't go in for jingoism. We should work out our own quid pro quo with them," he said. "Our problem has been the pseudo-socialism of successive governments."

Aggressive diplomacy: Obviously this would require far more aggressive diplomacy than our South Block mandarins have been used to, cocooned as they were in the safety of Indo-Soviet friendship. "Now we will have to learn to lobby with the Americans and the Europeans and create groups which will look after our interests in their countries, both politically and economically," Mr. Damodaran explained, simultaneously warning that India would have to be careful to balance this, with preserving its decision-making independence.

Regional role: In the long-term, however, India would have to concentrate on building on its inherent strengths to keep its identity in the new world order and follow an independent foreign policy. Both Mr. Damodaran and Mr. Sen Gupta emphasize the importance of concentrating on the region—a daunting task for a country which has tended to ignore its neighbourhood.

"To be an international player, we have to play a regional role," stressed Mr. Sen Gupta. "With the disappearance of the cold war, we can no longer allow ourselves the luxury of not paying attention to our neighbours."

Both analysts agreed that India has neglected its regional role all these years, displaying only hegemonic tendencies towards its neighbours. "We have to convince our neighbours that we are an asset, not a threat," Mr. Sen Gupta pointed out, adding that India should now expand its economic and commercial ties in the region as part of a peace initiative to lessen tensions.

To some extent, India has started the process, as was evident during the recent visit of the Bangladesh Foreign Minister, Mr. Mustafizur Rehman. India is reported to have responded favourable to his appeal for Indian investment in Bangladesh. What is needed is proper follow-up, emphasized Mr. Sen Gupta. India's regional orientation in the coming years is all the more important, pointed out Mr. Damodaran, because it will now have to sort out its disputes with Pakistan, particularly the Kashmir question, with less room for manoeuvre. India can no longer take for granted the Soviet veto in the United Nations on any resolution related to Kashmir since the membership of the USSR in the Security Council is itself in doubt.

The immediate neighbourhood apart, there is also tremendous scope for increasing bilateral economic ties with other Asian countries—a possibility which India has not tapped seriously but is now slowly veering around to at least talking of doing. "The rest of the world will judge us by two standards—one, whether our own home is in order and two, what we have done in the region," pointed out Mr. Sen Gupta.

In this context, the virtual independence of the various republics of the Soviet Union could also be turned into an advantage by India for it opens up whole new vistas of economic co-operation in the Central Asian republics which are starved for technology.

Mr. Devendra Kaushik of the Centre for Soviet studies in the Jawaharlal Nehru University was particularly insistent that India utilise the fund of goodwill that exists in these republics for her before others move in on the strength of Islamic brotherhood.

Emphasizing the strategic importance of an area which has through history been the breeding ground of invaders into India, Mr. Kaushik pointed out that Pakistan, Turkey and Iran have already shown tremendous interest in these regions. For India, it is of immense value, both economically and politically, to move into these areas in a big way, he said.

"It is easy for us because we have strong historical and cultural links. And the Central Asian republics are very keen to establish ties with us," he said. "We should not be left behind by the Islamic countries."

India has, of course, recently signed an economic agreement with Uzbekistan which could become the basis for ties with other Central Asian republics. Here again, India's woolliness is obvious in the fact that while the South Koreans were quick to seize advantage of the loosening of controls under perestroika and they flooded the Soviet republics with technicians, economic advisors, tie-ups, etc., India did little except mourn over its falling trade with the Soviet Union.

VHP: Fears Over Ayodhya Temple 'Exaggerated'

92AS0022 ACalcutta THE STATESMAN in English
2 Sep 91 p 1

[Text] Sept. 1—The secretary-general of the Vishwa Hindu Parishad [VHP], Mr Ashok Singhal, has described the fears expressed in USA and some European countries over the construction of the Ram temple at Ayodhya, as exaggerated and unwarranted in a statement released today in New Delhi.

After travelling for about a month in various European countries and parts of USA, Mr Singhal is on his way back home, according to a spokesman of the Shri Ram Kar Seva Samiti. Before leaving Frankfurt for Delhi, Mr Singhal faxed a copy of his statement from Frankfurt to the Samiti's Delhi office.

"A lot of misapprehensions has been created by the media in USA and other Western countries about Hindu society and organizations. There is false propaganda about Shri Ram Janambhoomi in Ayodhya."

Mr Singhal lamented the fact that several correspondents from the West could not present properly the Hindu point of view despite visiting the disputed site. Tracing India's links with America since the time of Swami Vivekananda, Mr Singhal said that Hinduism stood for universal good.

Meanwhile, according to PTI, the Uttar Pradesh Government and Bharatiya Janata Party [BJP] were committed to honouring the public mandate in favour of

building a Ram temple at Ayodhya and the temple would be built at any cost, the BJP leader, Mr L.K. Advani, said in Allahabad today.

Plans for Ayodhya Construction Announced

*92AS0027A Bombay THE TIMES OF INDIA
in English 7 Sep 91 p 13*

[Article by Anil Sharma]

[Text] SHIMLA, Sept 6—The construction of the Ram temple in Ayodhya will start in the third week of November. It will cost over Rs[rupees]30 crores and be completed in 10 years.

These plans have been prepared by an architect from Gujarat, Mr Chandra Kant Sompura, who has been appointed by the Vishwa Hindu Parishad (VHP) to execute the project. Mr Sompura's family had built the Somnath and Laxmi Narain temples.

Senior leaders of the VHP, who are here for the governing council meeting, disclosed that the temple complex would include a museum, gaushala (cow shed), an exhibition hall and a Ramayan research centre.

The joint secretary-general of the VHP, Acharya Giriraj Kishore, informed that of the Rs 6.50 crore which the VHP had collected, more than Rs 1.25 crore had already been spent for the construction of the temple.

The secretary of the Ram Janambhoomi Nyas, Mr Onkar Bhave, said a workshop had already been set up in Ayodhya where artisans were working round-the-clock carving stones to be used in the construction. The stones were being brought from Rajasthan and Gujarat. He said a kar seva bhawan was also under construction. It would be used as a training institute for the Bajrang Dal and the Durga Vahani (women's force) volunteers. The institute will also have facilities for putting up 1,000 people at a time.

Mr Bhave said the temple would be 232 feet long, 165 feet wide and 135 feet high.

He said the Saket university in Ayodhya, affiliated to Faizabad university, would have a chair (peeth) for all the poets who had worked on the Ramayan. A committee consisting of five people had been appointed for this purpose. Tulsi and Valmiki will be among the first to be honoured.

The governing council of the VHP would be holding discussions for the next two days on the Ram Janambhoomi.

Ayodhya Temple Construction Said To Begin 19 Nov

*92AS0061A New Delhi ORGANISER in English
29 Sep 91 pp 1, 15*

[Text] New Delhi: The Viswa Hindu Parishad [VHP] in close cooperation with the Kalyan Singh government

and the people of Ayodhya has deftly cleared the decks for launching the reconstruction of the magnificent Sri Rama temple at the Janmabhoomi on Devothan Ekadashi, which falls this year on 19 November. The UP [Uttar Pradesh] Government has cleared the decks for the prestigious project.

The Parishad has made no formal announcement about the event obviously to prevent mischief from Hindubaiters like V.P. Singh and Mulayam Singh who have been inciting the Muslims and issuing threats that they would offer 'satyagraha' if the Parishad started constructing the shrine. The Rama Janmabhoomi Nyas (Trust), which has been set up to undertake the construction of the temple is gearing up its machinery to launch the reconstruction on the appointed day. Saints and religious leaders have blessed the move. The Marg Darshak Mandal of the Parishad is likely to put its seal of approval on the programme at its Rishikesh meeting to be held on 27 and 28 September.

The entire land required for the shrine has been acquired by the Nyas. The only exceptions are Sakshi Gopaldasji's temple and the police control room. Negotiations are underway to acquire the said temple and the State Government has let it be known that it would shift the control room to a site outside the temple area. The buildings and land purchased or received in donation by the 'Nyas' include the Sankat Mochan temple, Ram Chabutra, lands belonging to Falahri Baba and Keshavdas, Katha Mandap and three small shops near the gate.

The owners and trustees of these properties were willing to hand over their properties to the Nyas to enable it to fulfill the aspirations of the crores of Hindus all over the globe but the Mulayam Singh government had put hurdles by threatening and imploring the proprietors not to hand over their properties to the Nyas. The emergence of the BJP [Bharatiya Janata Party] governmental Lucknow brought about a dramatic change. The government did not use its authority to force anyone but just let the word spread that no harm would come their way if they sold their properties to the Nyas. The deals were struck after protracted negotiations between the proprietors and the Nyas. In certain cases, the government offered to allot alternatives sites to those who were not interested in cash payments from Nyas.

The Kalyan Singh Government is engaged in a dialogue with certain respected intellectuals belonging to the Muslim community. It made public offers to the AIBMAC [All India Babri Masjid Action Committee] and the BMCC [expansion not given] for negotiations but the two fundamentalist organisations playing into the hands of V.P. Singh and other pseudo-secularists spurned these offers. The state government is confident of persuading moderates among Muslim leaders to agree to the relocation of the disputed structure.

Contrary to propaganda in a section of the Press that the BJP is dragging its feet on the Ayodhya issue, the State

Government with the blessings of the top leaders of the party and in consultation with Muslim intellectuals identified a site about 1.5 kms from the temple in village Makkha for relocating the mosque. The village has a Muslim majority which is said to have welcomed the move. A senior minister of the Kalyan Singh Government says the mosque relics will have to be relocated to remove the last hurdle in the construction of the temple for which the people of U.P. had given a mandate in the last elections. "We will relocate it with full honours with the cooperation of the Muslims, if possible, without their support, if necessary and in spite of them, if inevitable," he adds.

Shri Ashok Singhal, Secretary General of the Parishad, says no power on earth can stop the reconstruction of the temple. The Garbha griha (sanctum sanctorum) where the idols are at present installed will be the 'Garbha griha' of the new temple also. No one can shift the idols from that place for the deities are not implicated in any legal case and also because of the strength of the Hindu sentiment on the issue. "We are in no hurry to relocate the disputed super structure," he says emphatically. The construction will commence from the Shilanyas site and gradually move towards the 'Garbha griha.' It was for the U.P. Government to remove this hurdle as mandated by the people, he asserts.

The Parishad's firm yet patient stand is understandable in view of the fact that no sane person would like to provide V.P. Singh with an opportunity to whip up communal frenzy in the country, like the one he whipped up on the Mandal issue, to get political mileage and give a new lease of life to his half-dead and badly split Janata Dal [JD]. The Parishad is, however, not worried by V.P., Singh's threat to launch an agitation on the issue. That he is not an embodiment of courage has been proved time and again. Remember 1989 when the emerging hero of "clean politics" threatened to offer satyagraha if shilanyas was performed. He did go to Faizabad but developed cold feet and went back without visiting the Shilanyas site after issuing a statement criticising the VHP and the Hindus.

Senior leaders of the JD are upset with Singh's Hindubaiting and openly talk about his "nonsensical" approach which, they feel, has alienated the Hindu masses from the party. These leaders want the former prime minister to adopt a more sensible approach to the ticklish Ayodhya issue but find that the perpetually resigning leader has a mind-set. Not many in the JD are likely to support V.P. Singh's tirade against the Hindus. He is now making much of the murder of a couple of former SJD [as published] ministers due to feuds on land or even personal misbehaviour of sexual nature.

There is hectic activity in Ayodhya to prepare the ground for the reconstruction of the temple. Building materials are being purchased and rushed to the temple site. Engineers and workers have been recruited. Building plans of the proposed 254 ft. long and 126 ft. wide temple which will rise to the height of 132 ft. have been

submitted to the Ayodhya Development Authority for approval.

Belt Along Assam Boundaries Declared 'Disturbed'

92AS0038A Bombay *THE TIMES OF INDIA*
in English 18 Sep 91 p 11

[Text] New Delhi, September 17—A 20-km-wide belt in Arunachal Pradesh, Nagaland and Meghalaya, along their boundaries with Assam, was tonight declared as "disturbed-areas."

A notification issued by the home ministry here also declared as disturbed Tirap and Changlang districts in Arunachal Pradesh and Mon district in Nagaland.

The official announcement said the Central government was of the view that the areas declared disturbed were in such a "disturbed and dangerous" state that use of armed forces in aid of the civil administration was necessary.

Parliament Debates Planned Punjab Elections

92AS0039A Bombay *THE TIMES OF INDIA*
in English 19 Sep 91 pp 1, 3

[Text] New Delhi, Sept. 18—The home minister, Mr S.B. Chavan, told the Lok Sabha today that elections in Punjab would be held by February 15, even as both houses of Parliament approved a statutory resolution extending President's rule in the state for six months beyond November 10.

In the Rajya Sabha, the minister of state for home, Mr M.M. Jacob, moved the resolution on Punjab, which the house passed by a voice vote. The entire opposition, barring the CPM [Communist Party of India-Marxist], walked out.

The opposition parties demanded a firm commitment from the government on a date for the elections. Though Mr Chavan announced in the Lok Sabha that the elections would be held in Punjab before February 15, Mr Jacob did not give the elders such an assurance.

In the Lok Sabha, the Congress and the CPM voted for the resolution while the Janata Dal [JD], the CPI [Communist Party of India] and the BJP [Bharatiya Janata Party] voted against it. Mr George Fernandes (JD), insisted on a division. Of the 172 members present, 148 supported the resolution, 23 opposed it while one member abstained. By voting with the Congress, the CPM's differences with its allies in the National Front as well as the other left parties was confirmed.

Mr Chavan, replying to the three hour debate in the house, told members that the government would not extend President's rule in Punjab further. He assured the opposition that the Congress was keen as they were to see popular rule restored in the state. He believed that the militants would step up violence before the elections, but assured them that the government would not be deterred.

PTI adds:

Mr Chavan told the Lok Sabha in his reply that the election could be held even earlier "if the situation permitted." However, the exact timetable will be announced by the chief election commissioner, he said.

Lok Sabha members cutting across party lines, demanded that the government take into confidence political parties in Punjab as well as national opposition parties on the steps being taken to solve the state's problems.

They charged the Congress with "perverting" the electoral system in Punjab by cancelling the poll process.

In a hard hitting speech, Mr Jaswant Singh (BJP) said the elections in Punjab were cancelled only because the Congress had so desired.

Mr Jaswant Singh took strong exception to the chief election commissioner's decision to postpone the elections on the night of June 21 when the polling parties had already started moving to the booths.

Mr George Fernandes (JD) assailed the government's move, saying that it was the "biggest joke" played with the people of Punjab and spoke of its poor credibility.

Mr M.M. Jacob unfolded a new action plan to deal with the situation in the state in the upper house. He said this would include restoring the confidence of the people in the administration so that people come forward to contest the election, invoking the people's support and ensuring that the state does not lag behind in economic development.

Mr Jacob expressed the government's readiness to hold political dialogue with the militants, but added that in no way would the country's sovereignty and integrity be held at stake.

Mr Jacob said the government would consult all national and regional political parties in an effort to evolve a consensus policy on Punjab.

Initiating the discussion, Mr Sukomal Sen (CPI) said President's rule was not the solution to the problems of the state. The people should be given their democratic rights, he said.

Mr H.S. Hanspal (Congress), while supporting the resolution, said elections in the state should be held at the earliest.

V.P. Singh Said Ready To Join Congress (I)

9IAS1575A Bombay THE ILLUSTRATED WEEKLY OF INDIA in English 13 Sep 91 p 1

[Article by Pritish Nandy: "V.P. Singh Readies To Rejoin Congress"; boldface words as published]

[Text] Hush-hush negotiations are on between certain sections of the Congress party, including those working

on behalf of Prime Minister P V Narasimha Rao, and some of the senior leaders of the Janata Dal [JD] who are keen to, ostensibly, forge a centrist alliance against the growing might of the Bharatiya Janata Party [BJP].

The running feud within the Janata Dal between Ajit Singh and V P Singh has now been overshadowed by rapid new developments and party insiders claim that the meeting of the national executive this weekend will try to informally gauge how many senior leaders of the Dal will stand in the way of a merger should the Narasimha Rao government invite all like-minded centrist parties to join it in forming a broad-based, secular, Congress-led alliance.

In other words, the thunder may be stolen from dissident leader Ajit Singh who has been trying over the past few weeks to precipitate a crisis within the Janata Dal so that he and his supporters can quit and join the Congress party. They have, in fact, been negotiating specific berths in the Narasimha Rao ministry, with Ajit Singh insisting on getting the industries portfolio which he had held in the V P Singh government.

Now, other Janata Dal leaders (some of whom have nothing in common with the western UP [Uttar Pradesh] Jat leader) are making their own discreet moves to create a rapprochement with the party in power. Their argument is that all centrist forces must come together at this critical juncture, to prevent the BJP from making any further inroads into national politics. If the precariously perched Narasimha Rao government falls, they claim, the BJP will be the sole gainer.

The real reason, however, appears to be much simpler. Having tasted power at the Centre for almost a year, till Chandra Shekhar split the party, most Janata Dal leaders feel uncomfortable in the Opposition and are yearning to get back into office. Seeing that Ajit Singh and his followers are trying to strike a deal on their own, which could well earn some of them berths in the central cabinet, other Dal leaders are anxious to play the same game. They know the Narasimha Rao government is looking for the stability of additional numbers right now, to bridge their shortfall in Parliament and stay in power for a while. Each one is, therefore, making his own independent approach, trying to strike a deal that will be most advantageous for him and his followers.

V P Singh knows this but, in his typical style, has chosen to keep quiet. While he is publicly against any such merger, some of the leaders conducting their own negotiations have his tacit support. This means the Raja is keeping his options open for the time being.

The biggest and perhaps most critical player in the merger stakes is now Bihar Chief Minister Laloo Prasad Yadav, who is negotiating through Congressman Sitaram Kesri. All that Laloo Prasad wants is an assurance from Narasimha Rao that his government will not be toppled and there will be no going back on the promise to implement the Mandal Commission report. That is why Kesri is harping so much on the Mandal issue and

pro-Congress industrialist R P Goenka, who is also keen on brokering such an alliance, is trying to persuade members of the coterie (to whom he is reportedly very close) to accept Laloo Prasad's line of reasoning.

Orissa Chief Minister Biju Patnaik, who is close to Ajit Singh, is also keen on the merger. His declining popularity can be stemmed, he feels, if the Congress stops its no-holds-barred campaign against him in Orissa. Being an old congressman, he sees nothing wrong or unprincipled in a coming together of all congressmen now that Rajiv Gandhi is not there and his widow is having second thoughts about entering active politics.

The socialists in the Dal are, however, not exactly excited about such a merger but leaders like George Fernandes, close to Ajit Singh and Biju Patnaik, may finally allow themselves to be persuaded by the idea of a coalition on the ground that a Congress without the Gandhis and the Nehrus is no longer anathema to them. That is why they have raised such a howl of protest against Sonia Gandhi's entry into politics, encouraged by the knowledge that Narasimha Rao himself is keen to keep her out at any cost.

Sharad Pawar is also with them, hoping to strengthen his power base within the Congress with the coming in of the Janata Dal MPs [Members of Parliament]. He is ready to bury the hatchet with Narasimha Rao for the time being, so that he can position himself as a clear number two in the cabinet. This has become crucial for him with Arjun Singh, Madhavrao Scindia and now Johnny-come-lately Rajesh Pilot also throwing his hat into the ring, as a claimant for the prime minister's job. Pawar feels confident that the Janata Dal MPs, once they join the Congress, will root for him. After all, they know him better than anyone else in the party. Ajit Singh, in any case, has privately assured him the support of his group of MPs.

That may well be the reason why the strongest opposition to the merger is likely to come from leaders like Arjun Singh, Madhavrao Scindia and Rajesh Pilot—and the regional bosses of the Congress—who are not particularly keen on strengthening either Narasimha Rao's hand or Sharad Pawar's. In fact, they are quite happy with a weak government at the Centre, which is reliant on their support at every stage. If Narasimha Rao's government is strengthened by a merger with the Janata Dal, their ambitions will be thwarted.

Equally hostile to the idea are backward leaders in the Dal, like Ram Vilas Paswan and Sharad Yadav, who have the party in their stranglehold today. In a unified Congress, they know the upper castes will once again boss over them. Mandal or no Mandal. They also know that it is the upper caste politicians like Ramakrishna Hegde who are plotting the merger to checkmate the dominance of the backwards in the Dal's post-election power equations.

National Front chairman N T Rama Rao is also all for a coming together of centrist forces. He is, after all, the man who mooted the idea of Narasimha Rao getting

elected from any constituency of his choice in Andhra Pradesh, uncontested. Curiously enough, Tamil Nadu Chief Minister Jayalalitha Jayaram—now part of the Sharad Pawar axis—is also supportive of the idea. She finds that she is not getting her way in the current scheme of things. Her bitter rival, DMK [Dravida Munnetra Kazhagam] chief K Karunanidhi, does not have much of a say, given his current position in the National Front after his party got a drubbing in the recent Lok Sabha polls. Rumours are that certain elements in the Congress are trying to implicate him in the Rajiv murder case on the ground that he has been harbouring LTTE [Liberation Tiger of Tamil Eelam] sympathisers from Sri Lanka.

The Left parties are in a pickle ever since the coup in the Soviet Union failed. They have been ideologically isolated and look quite foolish in the context of the changes in the Soviet Union today. Their outdated Stalinism sounds almost pathetic and, unless they quickly change their tack, the gerontocrats in the politburo might find themselves ousted by a coup.

That leaves only V P Singh, the reluctant messiah. Dal insiders claim he is already saying that he never left the Congress but was unjustly expelled by Rajiv. According to them, V P Singh may not be entirely averse to the idea of a coalition where he gets either the post of deputy prime minister or finance minister or defence minister with the rank of number two in the cabinet. Narasimha Rao, astute a politician as he is, may actually agree to this if it brings in the entire Janata Dal. Though whether he can actually work this out, by relocating the current incumbents is another matter. If he can, it will certainly work to his temporary advantage, since it will checkmate his rivals who are back to playing an active role in trying to destabilise him.

Narasimha Rao also knows that V P Singh's entry into the Congress will keep Sonia Gandhi away from the party—and, in fact, Indian politics—forever.

But the question is: Will V P Singh buy the idea eventually or will he, in his inimitable style, keep his options open till the very end, till a section of the Dal breaks away to join the Congress? If that happens, of course, he might lose his bargaining position in the process of realignment. If, on the other hand, he agrees to join now, he will almost certainly forfeit the support of his new found vote bank, the backwards. Paswan and Sharad Yadav will never forgive him.

Reportage on Meeting of CPI National Council

Election Review

92AS0048A Calcutta THE TELEGRAPH in English
5 Sep 91 p 4

[Boldface words as published]

[Text] New Delhi, 4 September: Notwithstanding the sharp differences between the CPI [Communist Party of

India] and CPI(M)'s [Communist Party-Marxist] assessment of the developments in the Soviet Union, the CPI National Council has called for closer relations between the two parties in the national arena.

The election review report of the CPI National Council has underlined the need for "communist unity" and "for closer relations between the CPI and CPI(M). This is one of the main conclusions of the report," a communique said.

Criticising the policies of the P.V. Narasimha Rao government, the CPI report said, "The present difficult situation casts a great responsibility on the Left in particular. The Left parties, CPI and CPI(M) more so, must interact with each other regularly and evolve common approaches and tactics to meet the situation. The Left must expand its bases but not at the cost of the other. A strong Left, acting independently and building up united mass movements, is the need of the hour."

In response to questions, the CPI general secretary, Mr. Indrajit Gupta, admitted that there were major differences with the CPI(M) on the Soviet developments but refused to elaborate. "Our assessment is before you and so is theirs," he said. However, he did not think these differences would have any bearing on the CPI-CPI(M) cooperation in India.

"We are preparing seriously for the success of the 27 September rally and only yesterday we had detailed discussions about it. The events in the Soviet Union did not cast a shadow on our discussions," he said.

'Soviets not giving up socialism:' Asked if the events in Moscow spelt the beginning of the end of socialism, Mr. Gupta said, "It is too early to say that. No leader in the Soviet Union has talked of restoring capitalism. The struggle going on there is on the matter of reforms—the kind of reforms, the pace of reforms. Now the immediate problem is how to keep the Union together... Both Mr. Gorbachev and Mr. Yeltsin are trying to work in their own way to prevent the disintegration of the Soviet Union."

Mr. Gupta did not even concede that Mr. Boris Yeltsin was against socialism. "Yeltsin is not openly advocating capitalism," he said, adding that in any case it was for the Soviets to fight against the "wrong" trends there. "It is not our job to fight against the restoration of capitalism in the Soviet Union," Mr. Gupta said testily.

When pointed out that Mr. Gorbachev had stepped down as general secretary of the CPSU, dissolved its central committee and banned party units, Mr. Gupta rose to his defence and said the central committee had been dissolved only because it had not resisted the coup.

"It does not mean that there won't be a new central committee. And party activities have only been suspended." He also asserted that Mr. Gorbachev had been wrongly quoted by the Press on many issues. The CPI had got the authentic translations which proved that Mr.

Gorbachev had never advocated a change in the name of CPSU and had not spoken of giving up the ideology of Marxism-Leninism for social democracy.

China: Asked to compare the situation in China and the Soviet Union, Mr. Gupta said, "As far as economic reforms, China has carried out very far reaching reforms. They have a public sector, private sector, cooperative sector, foreign investment sector, multi-nationals sector."

"Even in agriculture, individual farmers are given land on lease and they can grow what they want and sell their produce directly. But in the Soviet Union, Mr. Gorbachev's ability to give democratic rights to the people has been much more successful... It is a matter of opinion as to which is more important." Despite several queries, he refused to express his opinion on which was more crucial—economic reforms or democratic reforms.

Doordarshan criticised: While Mr. Gupta praised glasnost in the Soviet Union, he criticised Doordarshan for highlighting the secessionist movements in the Soviet Union and the civil war in Yugoslavia.

"They must think what impact it will happen in India. There are no dearth of arms in the country and no dearth of frustrated youths." While asserting that he was against censorship, he felt "good sense" should prevail on the media. At the same time, he warned the government that unless it went in for decentralisation, the situation in India would become dangerous.

Congress, Warning

92AS0048B New Delhi PATRIOT in English 5 Sep 91
p 1

[Text] The developments in the Soviet Union are bound to have their repercussions in the Indian sub-continent. CPI [Communist Party of India] general secretary Indrajit Gupta said on Wednesday.

Briefing newsmen in the Capital about the just concluded CPI three-day National Council meeting, Mr. Gupta said the proposed new union treaty in the Soviet Union could very well apply in India if Centre-State relations were not restructured soon granting autonomy to the states.

If it is not done, the country would head for serious trouble, he warned. The country was going towards increased centralisation of power, reducing states to the position of just beggars, he said. In this context, he referred to the growing secessionist movements in Punjab, Jammu and Kashmir.

Mr. Gupta urged the media to cover the developments in the Soviet Union and Yugoslavia with objectivity and cautioned that over emphasis on showing the violence there would have negative repercussions in our country. "After all there is no dearth of arms and ammunition and unemployed youth here," he said.

The CPI National Council has decided to hold the 15th party congress in March-April next year. The dates and venue are yet to be finalised.

Mr. Gupta said the Council had also set up a drafting committee to prepare a basic document to give an analysis of developments in Soviet Union and Eastern Europe.

The Council in another resolution criticised the UP Government's declaration for acquiring the disputed site at Ayodhya.

Concern Over Ayodhya

92AS0048C Calcutta THE STATESMAN in English
6 Sep 91 p 8

[Text] New Delhi, 5 September: The national council of the Communist Party of India has expressed concern at the declaration of the U.P. [Uttar Pradesh] Government to issue an Ordinance to take over the disputed site of the shrine in Ayodhya, in an attempt to circumvent the Bill recently introduced in the Lok Sabha regarding places of worship as on 12 August, 1947.

"The council has demanded that the U.P. Government, if it has any regard for law, should retrace its step. It is also needed in the interest of communal amity and national unity," Mr. Indrajit Gupta, general secretary, CPI [Communist Party of India], said while briefing reporters here yesterday.

Mr. Gupta said that the national council, in a resolution, has stated that it is of the firm view that the State Government must not take any step in regard to the disputed structure and land in Ayodhya till the ongoing dispute on Ram Janambhoomi-Babri Masjid is either settled amicably to the satisfaction of all concerned, or, the Lucknow Bench of Allahabad High Court pronounces the final verdict on the case pending before it.

"This new stance of the BJP [Bharatiya Janata Party] Government is causing concern to all those who want communal harmony to prevail in the country," the resolution states.

The national council, Mr. Gupta said, considers the rise of the BJP at the national level as a "menacing development." At the meeting concern was expressed at the communalization of Indian politics by the BJP.

The council has demanded holding of Punjab elections immediately and asked for an all-party meeting on the Kashmir issue. It accused the Government of following a policy of drift with regard to Kashmir.

As to the performance of the Narasimha Rao Government, the council pronounced that it has been "dismal" because of postponement of Punjab elections, Cauvery waters issue, devaluation of the rupee, anti-people proposals in the Budget, industrial policy and opening of doors to multi-nationals. "The council wants these policies to be resisted through mass struggles."

One of the main conclusions of the reports is for maintaining closer relations between the CPI and the CPI(M) [Communist Party of India-Marxist]. "A strong Left acting independently and building up united mass movement is the need of the hour."

It was also pointed out that "in view of the recent developments in the international Communist movement, the ideological work of the party needs to be oriented and updated to meet the requirements of the new situation."

The national council of the CPI considers policies of liberalization and unrestricted Government expenditure are to a very great extent responsible for the present crisis, including the foreign exchange crunch. The Government's present policy of harsh domestic economic measures and move opening up may be counter productive, it was pointed out.

The CPI, it was pointed out, is not against foreign investment. On the other hand, it considers it necessary in industries requiring high-tech. However, the party warned that the small-scale sector needs protection and indiscriminate privatization should be avoided.

CPI-M Delegation Leaves for PRC

92AS0029A Calcutta THE STATESMAN in English
4 Sep 91 p 3

[Text] The CPI(M) [Communist Party of India-Marxist] leader, Mr Biman Bose, told reporters at Calcutta airport on Tuesday that those who "do not know the historical sequence of India's struggle for freedom, want to dismantle the statues of Lenin." Replying to a question with regard to the demands from some quarters to remove Lenin's statues, including the one at Esplanade, Mr Bose said Lenin had strongly supported India's struggle for independence and the movements launched by the Indian National Congress. He had condemned the 1919 Jalianwala Bagh massacre and expressed his support at every "important and critical juncture" of India's struggle to free itself from the British rule. He remarked that those who "speak of dismantling Lenin's statues are ignorant and want to destroy the unity and integrity of India."

Asked to comment on the WBPCC(I) [West Bengal Party Central Committee-India?] president, Mr Siddhartha Shankar Ray's call to protect Lenin's statue even at the cost of blood, Mr Bose said: "It will be good if the Congress(I) really mobilizes people and implements its pledges." "There is a vast difference between his works and actions," Mr Bose said.

Mr Bose and Mr Anil Biswas left for Delhi on their way to China on an invitation extended by the Chinese Communist Party [CPC]. The State Information Minister, Mr Buddhadev Bhattacharyya, who was also scheduled to go, abandoned the trip because of injury to his leg, Mr Bose said.

Our Special Representative adds: With the Naxalites losing ground and the CPI(M) returning to power in successive elections, the CPC changed its attitude towards the CPI(M). One reason for the CPC trying to come closer to the CPI(M) is the weakening of the CPI.

The CPI(M) delegation's current visit to China could not have taken place at a more opportune time. With the ban on the Communist Party in the Soviet Union, Communist Parties in general, and the CPI(M), in particular, will have little or no access to the Soviet Union for exchange of views or ideas on the socialist movement.

The obvious choice, informed sources say, will fall on Beijing to be declared as the socialist capital of the world, if for the Communist Parties Moscow becomes out of bounds. According to these sources, the Chinese Communist Party has provided ample proof after the Tiananmen Square incident that it will follow Marxism-Leninism with minor adjustments. The approach suits the CPI(M) and in the years to come the two parties may come closer on issues common to them once the CPSU starts treading the capitalist path.

Namboodiripad Writes on CPI-M, CPI Relations

92AS0042A Madras INDIAN EXPRESS in English
7 Sep 91 p 11

[Text] Thiruvananthapuram, 6 September: CPM [Communist Party-Marxist] general secretary E.M.S. Namboodiripad has said that a merger of the CPM and the CPI [Communist Party of India] cannot be even thought of in the light of the opposing stands taken by the two parties on the recent developments in the Soviet Union.

In an article "Whither communism?" Mr. Namboodiripad said there was no meeting point between his party's stand that the policy approach of the Soviet leaders, from Khrushchev to Gorbachev to economic and political reforms in the Soviet Union was anti-Marxist and revisionist and the CPI's opinion that such a stand was a reflection of Stalinism. This difference on Soviet reforms was the best confirmation of the correctness of the consistent CPM position that the two parties could merge if they were able to agree on issues that led to the 1964 split after an in-depth examination of the reasons for the split.

Mr. Namboodiripad, however, claimed that the CPI-CPM differences on Soviet developments would end the partial co-operation between the two parties, as predicted by some observers.

Differences over the recent Soviet developments would not come in the way of joint action by the two parties because, whatever be their differences on the policies followed earlier by Mr. Gorbachev, the CPI and the CPM were one in opposing the witch hunt of communists under him in the Soviet Union today. "In short, the CPM and the CPI can unite in building a strong front against the communist witchhunt under Mr. Gorbachev

internationally and against the Congress-I's one-party monopoly and the BJP's [Bharatiya Janata Party] Hindu politics.

CPI-M Scores Developments in Soviet Union

Central Committee Resolution

92AS0050A Calcutta THE TELEGRAPH in English
8 Sep 91 p 5

[Text] New Delhi, 7 September: The CPI(M) [Communist Party of India-Marxist] central committee, in a detailed reaction to the changes in the Soviet Union has said, "Our party must draw proper lessons from these changes...but these changes do not warrant any change in the basic ideological positions of our party."

The Central Committee meeting, which took place here from 28 to 31 August, adopted a resolution on the current developments in the Soviet Union which has outlined in detail the party's differences with Mr. Mikhail Gorbachev and its criticism of the recent cataclysmic events in that country. A summary of this resolution was released to the Press soon after.

After stating its own differences with the CPSU over the last four years, the resolution underlines the relevance of the Marxism-Leninism in the Indian context and asserts that the fight to build a "classless communist society" will persist.

The resolution states: "The CPI(M) central committee had repeatedly stated that the setbacks are the result of distortions in the process of socialist construction. The creative science of Marxism-Leninism continues to guide our activities and those revolutionaries who are struggling for social transformation. Our party will join all the forces the world over who based on the science of Marxism-Leninism are striving to put an end to the system of man by man."

It further said, "Our party has emerged as a major force of the Left in our country as a result of creatively applying Marxism-Leninism to the concrete conditions of our country and by fighting against revisionism and left adventurism by various contingents of the international Communist movement. The CPI(M) advanced, by serving the interests of the working class, agricultural labour, peasants and other toiling millions, defending and struggling to expand democratic rights and civil liberties, defending the unity of the country struggling against communal and separatist movements, and fighting for developing and strengthening an independent India."

It added, "Inspired by ideology of Marxism-Leninism, we will continue our struggle with confidence the capitalism is no answer to the ills of our society. We are confident that socialism will ultimately triumph as the future of mankind lies in a classless communist society."

Pointing out that the struggle for a new society "is not a straight path," it said despite many ups and downs, ebbs and flows in the revolutionary movement, the reactionaries could not deter them from fighting for the ideals of socialism.

Warning of the serious repercussions of a U.S. dictated "new world order" the resolution said, "The CPI(M) is confident that the Indian people will realise the grave implications of the adverse developments in the Soviet Union for India. The dismantling of the socialist system and the breaking up of the Soviet Union deprives India and other Third World countries of a reliable ally in warding off imperialist pressures."

It said, "In India, this counter-revolutionary offensive in the Soviet Union will have its direct repercussions. Those hostile to the ideology of Marxism-Leninism, including the social democrats, will step up their efforts to whip up anti-communist feelings."

In this context, the central committee urged the party rank and file to carry forward the principles of Marxism-Leninism and proletarian internationalism and "resolutely rebuff this ideological and political offensives."

Gorbachev Criticized

92AS0050B Calcutta *THE STATESMAN* in English
7 Sep 91 p 7

[Text] The Central Committee of the CPI(M) in its recent document on the developments in the Soviet Union and their impact, bitterly criticized the Soviet leadership led by President Gorbachev for creating a situation for restoration of capitalism on the one hand, and disintegration of the Soviet Union on the other.

The document also highlighted at length failure of internal reform undertaken by President Gorbachev, exploitation of the current situation by Western imperialism, reversal of Soviet Foreign policy and a rise in ethnic problems, but expressed optimism that the Soviet people would be able to 'liberate' themselves from the "imperialist yoke and usher in a new era" to successfully defend the socialist system.

The document observed that all people who stood for socialism had welcomed the reforms in the initial period. They understood how the distortions in building socialism both in the economic and political sphere had led to stagnation and how it was necessary to overcome this through reform.

During the last five years, these reforms could not produce the desired results. On the contrary, the economic situation deteriorated and forces favouring restoration of capitalism gained strength. Imperialists took full advantage of the situation and tried to organize internal subversion, taking advantage of the economic and ethnic problems.

President Gorbachev, who initially was able to instil confidence about the future of the country, later yielded

to the pressure of those who did not want to confine reform to socialist renewal but tried to overthrow the socialist system itself.

Referring to the earlier reactions to the Soviet events by the major political parties in India the CPI(M) document observed that though the political parties in India, excepting the BJP, had given guarded reactions, the "bourgeois Press sharply criticized the measures taken by the coup leaders. They are naturally motivated by the class interests of those who do not want the socialist system to develop because it puts an end to the system of exploitation of man by man and brings doom to capitalism," the party document stated.

United Communist Party Analyzes Soviet Events

92AS0028A Calcutta *THE STATESMAN* in English
5 Sep 91 p 7

[Text] Speakers at a meeting organized by the United Communist Party of India in Calcutta on Wednesday analysed the recent developments in the USSR and felt the future of Socialism would mainly depend on how the people responded to the system in the changing scenario of the world. Mr Satin Chakravorty, who presided, said that the recent upheaval in the Soviet Union had given rise to thoughts in many minds whether Bolshevik Communism would wane or run parallel to the capitalist system.

Mr Kalyan Datta, academician, appreciated the steps taken by the reformist Soviet President, Mr Mikhail Gorbachev, in freeing people from the "shackles of the Stalinist dogman." The people of the Soviet Union, he said, had perhaps realized the adverse impact of nationalization of the means of production on their country's economy which had been pursued to promote the interests of the "bureaucrats and party bosses." He said no report had been available to suggest that the CPSU had tried to thwart the coup bid. He, however, did not support the move to ban the CPSU. He suggested that the issue should have been taken to Parliament or Court, bringing a charge of conspiracy against the CPSU and the verdict passed should have been accepted.

Mr Santosh Bhattacharyya, the former Vice-Chancellor of Calcutta University, explained the various facets of the Socialist concept in the perspective of the economic growth of a country. Only the slogans of Stalin or the theory of Marx would not do anything for improving the lot of the people. Many economic problems could be solved by a capitalist country with a Socialist outlook, provided it adapted its policies to the changing needs of society.

Mr Amlan Datta, the former Vice-Chancellor of Visva-Bharati, analysed the recent developments in the USSR and spoke on their implications in the future Socialist movements.

Marxist-Leninists Shift Stand Toward Opposition

*92AS0110A Calcutta THE TELEGRAPH in English
15 Sep 91 p 5*

[Article: "Anti-Cong, BJP [Bharatiya Janata Party] Front Emerging"]

[Text] New Delhi, Sep 14—The Communist Party of India (Marxist-Leninist) [CPI-ML], the main constituent of the Indian People's Front (IPF) has made a significant shift in its stand towards the Janata Dal and the mainstream Left parties. It is now seeking closer cooperation with them to battle against the Congress(I)-BJP combine.

Of even greater significance is the CPI(ML) politburo's decision to have closer cooperation with the Left parties, particularly in joint programmes and seek to develop some institutionalised form of coordination with special reference to West Bengal, where the reactionary forces are bent upon creating anti-communist hysteria. Till very recently, the IPF was bitterly against the Left Front government in West Bengal and was part of an anti-CPI(M) [Communist Party of India-Marxist] front.

The shift in the tactical line of the CPI(ML) took place at its politburo meeting in Calcutta from September 7 to 10. Pointing out that the unprecedented growth of the BJP was the most alarming feature of the situation, the politburo said that while continuing the concentration of our attack against the Congress(I) government at the Centre, we must at the same time launch a vigorous attack against the BJP, the party that has come into the centre stage, the party in the waiting, the party that has come out in strong support of the Congress(I)'s new economic package."

It also underlined the need to develop issue based alliance with the Janata Dal against the Congress(I)-BJP combine, with special emphasis on joint moves against the Centre in Bihar. Earlier, the CPI(ML) was particularly critical of the Laloo Prasad Yadav government and refused to participate in Janata Dal-left programmes.

The third significant decision is the one to seek closer cooperation with the Left parties, particularly in West Bengal to jointly meet the anti-communist hysteria which is being sought to be whipped up. It also said the party must seek united activities with political forces representing the interests of oppressed communities, with special reference to the BSP [Bahujan Samaj Party], Uttarakhand and Jharkhand movements.

Soviet developments: Commenting on the events in the Soviet Union, the CPI(ML) politburo said, the last bastion of communism in Europe has collapsed and the desperate last ditch attempt to save it through a coup has only hastened the doom. Pointing out that the socialist economic base in the Soviet Union had long been unable to support the super power structure, it said the Gorbachev reforms, aiming at salvaging the crisis situation, unleashed various social forces including those of capitalist restoration that mobilised around Mr. Yeltsin.

It said the Communist Party had already been sidelined and a new social democratic party was mooted by Mr. Gorbachev himself, thus when the coup came, there were few takers and it was destined to fail, paving the way for an anti-communist hysteria.

The politburo added, we do not support the coup because we know that in the conditions obtaining in today's Russia, the coup did not enjoy the minimal popular support. Now, for a second edition of October revolution, we shall have to wait much longer.

Janata Dal National Executive Meeting Reported**Hegde Protest**

*92AS0025A Calcutta THE TELEGRAPH in English
7 Sep 91 p 1*

[Text] New Delhi, Sept. 6 (UNI)—The faction-ridden Janata Dal plunged into a fresh crisis on the eve of the two-day crucial meeting of the national executive with Mr Ramakrishna Hegde quitting the post of chairman of the seven-member committee set up to restructure the party.

In a letter to the party president, Mr S.R. Bommai, Mr Hegde said he had taken exception to the demand for disciplinary action against him by some partymen for expressing his views in favour of collaboration with Congress(I) under a new realignment of political forces.

Mr Hegde said, "If the party was to take action against me for the opinion, I hold it welcome. However, under the circumstances, I consider that it is not proper for me to continue as chairman of the seven-member committee on the restructuring of the party. I hereby tender my resignation from the post."

Mr Hegde, who is also member of the political affairs committee (PAC) of the party, did not attend its meeting held here this evening to finalise the resolutions to be put before the two-day national executive which begins its session tomorrow.

Briefing newsmen after the PAC meeting, the Dal spokesman, Mr Hari Kishore Singh, declined to comment on the resignation by Mr Hegde. "The party office has not received any letter of resignation from Mr Hegde," he said.

The postponed national executive of the Dal, which begins tomorrow, will discuss, among other issues, the crisis in the party following the criticism of Mr V.P. Singh and Mr S.R. Bommai by the senior party leader, Mr Ajit Singh.

Mr Singh said there was no question of the PAC discussing the resignation by Mr Hegde or any leader. He replied in the negative when asked if the party ideologue, Mr Surendra Mohan, had also tendered his resignation from the party manifesto committee.

7 Sep Proceedings

92AS0025B Bombay THE SUNDAY TIMES OF INDIA
in English 8 Sep 91 pp 1, 24

[Text] New Delhi, September 7—The Janata Dal today ruled out any truck with the Congress with the party's national executive rejecting any coalition, adjustment or co-ordination with the ruling party, reports PTI.

The two-day national executive which began here today took up political and economic resolutions for discussion even as the party leadership intensified efforts to resolve the intra-party differences before the organisational matters are taken up for discussion tomorrow.

Briefing reporters, the Dal spokesperson, Mr Hari Kishor Singh, said the issue of the party's approach towards the Congress was raised during the discussion on the political resolution with majority of members expressing themselves against any truck with the ruling party.

He said the former Karnataka chief minister, Mr Rama Krishna Hegde, whose recent statement on realignment of political forces had come in for severe criticism by a section of the Dal leaders, stuck to his views.

Many other speakers at the executive, however, said the Dal had been given a mandate to be in the opposition and it should not go against it, Mr Singh said.

The Dal president, Mr S.R. Bommai, presided over the meeting attended, among others, by Mr V.P. Singh, Mr Ajit Singh, Mr Laloo Prasad Yadav and Mr George Fernandes. The Orissa chief minister, Mr Biju Patnaik, is likely to attend tomorrow's session.

Mr Hari Kishor Singh said the political resolution criticised the Congress government on several accounts stating that the minority government had given no evidence that the ruling party had the political will and requisite strength to take the nation forward in ensuring stability, socio-economic justice and greater devolution of power.

He said 20 members, including Mr Syed Shahabuddin, Mr Laloo Prasad Yadav, Mr Fernandes, Mr Shanti Bhushan, Mr Chimanbhai Mehta, Mr Raghu Thakur and Mr Hegde, spoke on the political resolution.

A total of 145 members, including MPs [members of Parliament], special invitees and state unit presidents are attending the national executive.

The spokesperson said Mr Hegde clarified that he had never advocated joining the Congress. What he had said in the press interview was that if there was an end to the coterie rule and more democratisation of the Congress in the coming times, the Dal should consider extending co-operation to the ruling party.

Mr Hegde also said a debate on this issue could be held in appropriate party fora, Mr Singh said.

He said Prof Madhu Dandavate, summing up the members' feelings said none had challenged Mr Hegde's integrity and commitment to the Dal, but felt such views should be expressed in party fora rather than in the press.

In his welcome address, Mr Bommai said the success or failure at the elections should not deter the party from its struggle for the poor and the down-trodden.

He said the BJP [Bharatiya Janata Party] which successfully whipped up religious sentiments and emotions with enormous money power and "guided by the RSS [Rashtriya Swayamsevak Sangh] and the VHP [Vishwa Hindu Parishad]" was posing a "grave threat" to the nation. He said no party can survive for long on religious emotions and that there was already disenchantment with that party even in states where it had won majority seats.

The Dal president also lashed out at the Congress government, which, he said, had made history of sorts by becoming the most "anti-people, anti-poor, in short anti-Indian in the shortest possible time it had been in the office."

UNI adds: The draft political resolution came under fire from several senior leaders for lack of clarity, especially the party's approach towards the minority government.

Mr Chanderjit Yadav fired the first salvo criticising the draft for being mild towards the economic policies of the Congress government.

Taking exception to the draft describing the policies as ad hoc, Mr Yadav said liberalisation and devaluation of the rupee were deliberate and pursued by the government under dictates of the World Bank.

He said the resolution failed to criticise the BJP-run Uttar Pradesh government's move to acquire the disputed site for the construction of Ram mandir at Ayodhya. He said the party should give a call for uniting all secular forces to put down efforts aimed at fueling communal trouble.

Urging the party to make full use of its strategic position in Parliament to pressurise the government to pursue pro-people policies, Mr Yadav said he did not favour a policy of blind anti-Congressism.

Mr Fernandes said the lack of direction in the party was being taken advantage of by the left parties to grow in their non-traditional areas.

As soon as the meeting commenced, several leaders, including Mr M.S. Gurupadaswamy, Mr Yunus Saleem and Mr Rafiq Zakaria, urged the leadership to take up organisational problems which had virtually crippled the party for the last two months.

Crisis Averted

92AS0025C Madras THE HINDU in English 9 Sep 91 p 9

[Text] New Delhi, Sept. 8—The crisis in the Janata Dal over the controversial appointments made by the party President, Mr S.R. Bommai, has been averted for the time being following an understanding among the senior leaders of the party here tonight to reconstitute the national secretariat of the party within the next fortnight.

The Janata Dal president told correspondents at the end of the two day meeting of the National Executive of the party that he would reconstitute the party secretariat on the basis of consensus among all sections in the Dal and endeavour to remove the feeling among a section of them that they have been isolated or neglected.

According to sources in the Party the Dal President had told the senior leaders during the day that if he failed to reconstitute the secretariat to the satisfaction of all groups he would resign from the post. There was apparently no debate in the executive on the announcement made by Mr. Bommai.

Though nomination of office-bearers of the party is the prerogative of Mr. Bommai he has obviously been prevailed upon by the senior leaders to accommodate both factions in the party particularly the Ajit Singh group which has been piqued at the choice of three important office-bearers in July this year.

Following today's agreement it is expected that the Secretary General, Mr. Sharad Yadav, Vice-President, Mr. Ram Vilas Paswan and the Parliamentary Board Chairman, Mufti Mohammad Sayeed would tender their resignations and facilitate reorganisation of the party.

Protracted parleys: The formula was the outcome of protracted parleys among senior leaders of the party at the Orissa Bhavan with the Orissa Chief Minister, Mr. Biju Patnaik, acting as the principal mediator between the two factions. Besides Mr. Bommai among others involved in the exercise included the Bihar Chief Minister, Mr. Lallu Prasad Yadav, Mr. V.P. Singh and Mr. Ajit Singh.

At least three different formulae formed the basis of the daylong consultations among these leaders. These included election of the interim president of the party on October 11 by the electoral college pending the regular election in March or April this year and continuation of

Mr. Bommai as president with the rest of the office-bearers submitting their resignation to facilitate revamping of the organisation.

However it was felt that acceptance of any of these solutions would not be in the interest of the party and any disenchantment among the party leaders could weaken the organisation. "There were alternative proposals to resolve the present crisis in the party. But we felt that they will not strengthen the party. Our basic objection was that the party was being run on factional lines. We are happy with the outcome of today's parleys," said Mr. Rasheed Masood, a camp follower of Mr. Ajit Singh at the end of the National Executive meeting.

Postponement of the organisation elections from December to March next year was the only item relating to party matters which came up for discussion at the National Executive meeting. The Executive endorsed the suggestion of the party president to complete the organisational elections by March next year instead of December this year on the ground that the membership drive was not complete in some of the States.

Significantly the national executive desired that no member of the party should be allowed to air views in public which were not consistent with the party line outside the organisational forums and if any member chose to do so strict disciplinary action should be taken.

At the news conference a visibly agitated Mr. Bommai said he had taken serious note of a press statement circulated by the party leader, Mr. Chimanbhai Mehta, and added that he would initiate the necessary disciplinary action against him for rushing to the Press on his private views.

Mr. Mehta in his statement had questioned the unanimous resolution of the National Executive on Saturday ruling out any truck with the Congress(I) and said he favoured an agreement with the Congress(I) on broad issues.

UNI reports:

Earlier the crucial national executive meeting scheduled in the day, was deferred until 2000 hours as hectic last minute efforts were mounted to defuse the crisis in the party.

Top Dal leaders including Mr. V.P. Singh and Mr. Ajit Singh were closetted in a long meeting in the morning in a bid to resolve their differences. But it was inconclusive.

Soon after the morning meeting, Mr. Bommai, accompanied by Mr. Paswan and Mr. Thakur, drove down to the Parliament annexe to announce to the delegat the decision to postpone the executive meeting.

World Bank, IMF Chiefs on National Affairs

President Conable

92AS0055A Calcutta THE TELEGRAPH in English
29 Aug 91 p 6

[World Bank President Barber Conable speaks to Seema Sirohi; place and date not given; italicized words as published]

[Excerpts] [passage omitted]

Question: *India is embarking on a major reforms programme. What cautionary note would you sound and how fast should India attempt to undertake these reforms?*

Answer: I am delighted India is on the right course. I have long felt the country would have many comparative advantages in the global economy if only it were willing to reach out and open up to competition. I am happy that circumstances have brought recognition of this reality because it will mean a much better rate of growth. It has had good growth record in the past but not up to its potential. It has been a sleeping giant and the steps being taken now will awaken the economy. I am not expressing caution but it is important that you keep control of this process and not let continuing economic crises dictate its action. It should anticipate the long-term shifts that can keep it out of crisis.

Question: *If you were India's Prime Minister, how would you create the mix of the right reform programmes to recharge the economy?*

Answer: I am very pleased to see the changes. My basic feeling has been that India sold itself short and is now taking the necessary steps to reach its potential. India has many needs and it's not easy to generalise about the programmes. I believe that some of the macro-economic changes that are going on now are appropriate. I believe it will elicit a degree of external support that will be of major assistance. The kind of adjustment lending that is beginning now, added to investment lending that must continue, will serve India much better than either by itself. India must focus on poverty reduction and social programmes. We are not recommending an alternative to the poverty focus of the past but only an enhancement of it.

I believe India must spend more on human resource development because although there are major human assets in the population, much of the growth in the past has bypassed significant elements of India's poor. Leaving these people out of the development formula means you are not getting the growth that is possible. [passage omitted]

Question: *Is growth the best way to reduce poverty?*

Answer: Growth is not enough by itself. India is the best example of that. India has had some growth but it has bypassed the rural landless poor. However, you are much

more likely to get a reduction of poverty in an environment of economic growth than in an environment of economic stagnation. One of the lessons of recent years is that significant redistribution of assets or income is not a realistic way to reduce poverty. Growth is the best way because through growth you can reallocate increasing income much more easily than you can by taking money away from the well-protected special interests in countries. You also have to target poverty. [passage omitted]

Question: *Why do developing countries have to slow growth to tackle environmental problems?*

Answer: Environmental investment in the long run will speed growth because it will be sustainable. Balance is the magic word. Environment is a long-term investment and you need to have a balance between long-term and short-term investment. They are not mutually exclusive.

Question: *What sort of practical changes do you anticipate in project lending in the 1990s?*

Answer: I expect the work of the Bank will change but it is difficult to predict. We have a mature staff and lot of new people with updated skills are coming in. The world has rapidly changing expectations of us and we must be responsive. Our emphasis on agriculture will change. A good deal will depend on the outcome of the trade negotiations; that will affect what we do. We will probably put greater emphasis on regional investment. In Africa, we are dealing with small and fragmented economies.

Inevitably, we have to expect more lending for industrial development because there is a limit on the amount of food that can be produced without greatly expanding the acreage under cultivation. There will be more investments in energy and industrial infrastructure. But I think, you will find, more emphasis on human resource development. We have tripled the money in primary education. The thing that locks people into poverty is illiteracy. Upgrading education skills in the developing world is a preliminary requirement.

Question: *You have had differences with India over the question of lending for primary education. What was India's rationale for not accepting loans?*

Answer: We have made our first loan to India recently. We pushed for primary education but it was never accepted. There was a fear that we would dictate to them things like teachers, salaries, and curriculum. India has always feared external influence that could be characterised as cultural or neo-colonial. Knowing where India's coming from, I understand that sensitivity. But given the high illiteracy and despite major advancement in higher education, we have felt India should spend more money on basic literacy.

Question: *Was the opposition at the Prime Minister's level?*

Answer: No. The Indian Prime Ministers I met were very supportive but they underestimated the degree to which

the bureaucracy was entrenched. The bureaucracy is very real in India. It is not enough to have forms of democracy. Public servants must respect individual aspirations and the system must not have a high degree of discretionary powers. [passage omitted]

Question: *Critics of the Bank say that it has not pushed population programmes as rigorously as it should have. Why not?*

Answer: We push it where we can. There are real sensitivity problems in this area. We have learnt it is very difficult to have a population programme unless the government is willing to own it. We can send all the family planning and contraceptive supplies but nothing will happen unless the government is willing to push. A greater emphasis is needed in this area and the dialogue from the Bank's has to be raised. Our success has been extremely uneven there because so much depends on the government's willingness to put high priority on the issue.

Question: *What about India's efforts in this area?*

Answer: India's population programme has been strong at times but generally uneven. China has taken rather repressive measures to curtail its population. [passage omitted]

IMF Director Camdessus

92AS0055B Bombay THE SUNDAY TIMES OF INDIA
in English 1 Sep 91 p 9

[Italicized words as published]

[Excerpts] Washington, 31 August: The managing director of the International Monetary Fund, Mr. Michel Camdessus, 57, spoke to TOINS here on Thursday. He spoke about his recommendation to the IMF board for further assistance to India and about India's reform programme. He also made his first public comments on the IMF's readiness to help the Soviet Union, in the light of the observation of Mr. John Major, British Prime Minister, on Thursday, that the fund should be closely involved from now onwards with the Soviet reform process.

Excerpts from the interview:

The fund has been engaged in discussions with India for a while. What do you think are the prospects for immediate assistance to India to support policy initiatives undertaken by the new government?

Well, the fund has been discussing with the Indian authorities a possible increase in the Compensatory and Contingency Finance Facility (CCFF) and a standby programme. As you know, the purpose of the CCFF is to help the fund's members cope with the impact of excess oil import costs or export shortfalls. But, of course we can proceed with this kind of financing when there is a comprehensive set of adjustment policies in place. And, now, this is the case for India. It is eligible to borrow an

additional \$620 million, which would bring the total drawing under this special facility to nearly \$1.9 billion, quite a significant amount indeed. The board meeting on the latest CCFF request will take place in mid-September.

You mentioned the standby programme, what is the current status of the standby arrangement?

India's request for a standby arrangement has my strong endorsement. The basic elements of the proposed arrangement have been already settled with the Indian authorities. These consist of a strong fiscal adjustment in 1991-92, followed by continued fiscal consolidation in 1992-93 and truly significant initial steps to restructure the Indian economy. This is indeed a major effort. It could be supported by a standby which would be about \$2.2 billion and would cover an 18-month period. For this programme the board's approval is expected in October.

What is your and the fund's assessment of India's economic policies so far?

It's positive, as you can conclude from what I have just told you about the standby prospects. In my judgment, the programme of economic adjustment of your authorities is equal to the task ahead. Not only are financial policies being adjusted to restore balance of payments viability, but an ambitious programme of structural reforms is announced in its principles and already under way, at least partly. Clearly, these actions will need to be sustained and implemented vigorously in the period ahead. We are confident they will be. In particular, we are looking forward, as you can imagine, to the early formulation by the government of its proposals in many fields, *inter alia*, tax reform, trade liberalisation, continued financial sector reform and additional measures to improve the efficiency of the public enterprises sector, which is, indeed, badly needed. I am optimistic that the policies being implemented by the government will help to turn the situation around before too long. So, the economic programme has our full endorsement and I am confident it will be viewed positively by the rest of the international financial community. The fund, for its part, will support India's economic programme and I expect that the other multilateral institutions and bilateral donors will also join in this effort to materially support India's own efforts. But, here I should add that the support of the international community is quite dependent indeed on the boldness and determination of your national effort. The world sees India's economy as having formidable challenges and potential. But, the potential has to be fully utilised and this will only be possible if the present intentions of the authorities, so clearly stated, for structural reforms are rapidly implemented, with boldness and without trying to compromise, because the task is immense and Indians need this progress. I am confident this will take place and this is why we are happy to be as positive as we can in support of your country.

For the fund itself, India's case of economic reform must be one of the most challenging, one of the most exciting that it has ever been associated with. What is the long-term significance of the success of India's efforts, if and when it comes?

You're right. This is a very exciting programme. This is a major effort of a great country. It's true that we are particularly committed to support you because India is more than 800 million people with a formidable regional role, and the prosperity of the world is also dependent on the prosperity of India. We have got to do everything we can. This is of major significance for the growth of your people. These structural changes, this opening of your economy, this entire process of freeing the creativity, the potential for growth, which is there in your economy, particularly, in the private sector—we are doing everything we can to support that. Of course, what we do is useful and important but what is decisive is the own resolve, commitment and effort of your people. [passage omitted]

IMF Approves \$635 Million Loan

92AS0053A Bombay THE TIMES OF INDIA
in English 13 Sep 91 pp 1, 13

[Article by Gautam Adhikari]

[Text] Washington, 12 September: The International Monetary Fund (IMF) today formally approved a loan of \$635 million to India under its compensatory and contingency financing facility (CCFF). Its spokesman said that another \$2.2 billion was expected to be approved by the IMF board in a standby arrangement next month.

Yesterday, World Bank executives told newsmen that they expected the Aid India Consortium to soon commit at least \$6 billion in assistance to India this year, of which the World Bank and its affiliate, the International Development Association (IDA), hope to contribute a bit over \$3 billion. Around a billion dollars would come in faster disbursement schemes, as part of a World Bank structural adjustment programme, unrelated to specific projects.

Disbursement has been a nagging problem with World Bank assistance to India, which is usually project-related. Far too many projects are delayed, especially, those in the power sector. As a result, about \$13 billion in loans remains committed by the bank but has yet to be utilised by India.

Officials at both the fund and the bank sounded highly optimistic about India's medium-term economic prospects. They thought India's growth prospects in the medium-term were good, possibly, in the region of 5 or 6 percent per annum in three years' time, although growth this year was likely to plummet to as low as 2.5 percent, as feared by the Reserve Bank of India.

Mr. Attila Karaosmanoglu, vice-president of the Bank's Asia division, said that India was rapidly implementing

a series of structural adjustments to its economy from a position of relative advantage. It began the programme "while observing its external obligations," that is, it had not defaulted on borrowings abroad; its economic management was already in place for timely action; and, it began the adjustment before any outbreak of galloping inflation.

Mr. Hubert Neiss, of the Asian department of the IMF told correspondents that the managing director of the fund, Mr. Michel Camdessus, had given his "strong-endorsement" to India's case while sending it to the executive board for approval in October.

Mr. Camdessus had earlier announced details of the IMF's programme and his own endorsement of it in an interview with this newspaper on 30 August. He had also indicated that the fund was ready to consider India's case in the future for assistance under the extended fund facility (EFF).

The figure of \$620 million for the CCFF loan announced by Mr. Camdessus in the interview has since risen to \$635 million because of a rise in U.S. dollar value. IMF loans are denominated in the IMF's own currency called special drawing rights (SDR). India will be able to draw SDR 468.9 millions under the CCFF, in addition to what it has already drawn under this facility.

The expected standby arrangement of \$2.2 billion or so will be for an 18-month period beginning July, 1991, Mr. Neiss said. At the end of the 18-month period, India's total liability to the IMF would be around \$4.6 billion, assuming that it would have utilised the entire standby amount by then.

Later, even while the standby is in effect, India could move up to borrowing from the EFF with the IMF. That would entitle it to larger borrowings, perhaps \$5 or 6 billion more, on softer terms but stricter conditionalities. But, that was just an "idea" at this stage, to be explored in the months to come depending on how successfully India carried out its structural adjustment programme, said Mr. Neiss.

The World Bank's assistance of perhaps a billion dollars in faster disbursement schemes would also come in phases. In November, the bank is likely to approve \$500 million or so. It could go up to a billion dollars as the implementation of India's structural adjustments, especially, in the financial sector, were seriously under way, said Mr. Karaosmanoglu.

Answering a question, Mr. Karaosmanoglu said: "there is no reason for us to feel dissatisfied." He was looking forward to the recommendations to be submitted by a high-powered group examining the financial sector (the Narasimhan committee).

But, banking and finance in India would have to become more competitive. Privatisation of banks was not a must for this, he said, as long as higher efficiency, stronger capital bases and freer entry by newcomers could be

ensured by the Indian economy's managers. "There should be a level playing field for the public and private banking sectors," the vice-president said.

Concern Expressed Over IMF Office in Delhi
92AS0111A Madras INDIAN EXPRESS in English
15 Sep 91 p 1

[Article: "Concern Over IMF Office in Delhi"]

[Text] New Delhi, Sep 14—Strong exception was taken in the Rajya Sabha today to the permission given to the International Monetary Fund [IMF] to open an office in New Delhi, that too without the Prime Minister's knowledge [sentence as published]. The issue was brought up by Mr. Dipen Ghosh (CPM [Communist Party of India-Marxist]) as a special mention quoting a report from this newspaper.

Mr. Ghosh said this was something which had not been allowed by Indira Gandhi. Mr. V.P. Singh also did not allow it when he was Prime Minister. If it was Mr. Gopi Arora, India's executive director in IMF, who had permitted an office to be set up here, Mr. Ghosh asked who was running the government, Mr. Arora or Mr. Manmohan Singh and Mr. Narasimha Rao?

The CPM member said it was well-known that IMF was interfering in the internal affairs of Third World countries in the name of giving them loans. He felt that it would be helpful to IMF to carry on its 'anti-Indian' activities when its office was opened here.

But Dr. Subramanian Swamy (SJP [Samajwadi Janata Party]) did not quite think so. He pointed out that the World Bank already had an office in New Delhi. It would not do any harm if IMF also opened its office. But Dr. Swamy said it was a serious matter if the decision to let it be opened had been taken without the Prime Minister's knowledge.

Not quite linked to this was another special mention by Mr. A.G. Kulkarni that followed immediately. He referred to the report about fabrication of the proxies to be submitted to the L&T [expansion not given] general body meeting. Mr. Kulkarni said 30 percent of the proxies were forged documents and this had to be investigated. He also demanded a statement from the government.

Finance Ministry Releases 1990-91 Report
92AS0045A Bombay THE TIMES OF INDIA
in English 7 Sep 91 p 16

[Text] New Delhi, 6 September (PTI): The difficult balance of payments position caused by the Gulf crisis resulted in the government taking drastic measures during the financial year 1990-91.

According to the annual report of the finance ministry, the Gulf crisis led to a sharp hike on oil prices which

placed a heavy strain on the country's balance of payments, which, even otherwise, has been under severe pressure for the past five years.

Foreign currency assets of the RBI [Reserve Bank of India] declined by about Rs.[rupees]1,399 crores during 1990-91.

Imports during April-February, 1990-91 were higher by over 23 percent over the same period of last year, while exports were higher by just over 19 percent, resulting in a further widening of trade deficit to about Rs. 10,470 crores, which was higher by 38.9 percent than that recorded during April-February, 1989-90.

To counteract the adverse impact of the Gulf crisis, the government took a series of policy measures to reduce consumption of petroleum products to contain petroleum import bills, cut in government expenditure and more particularly, efforts to generate additional exports over the next 12 months and efforts to mobilise quick disbursing assistance from bilateral and multilateral sources and endeavours to speed up the utilisation of the authorised but undisbursed external assistance.

According to the report, the balance of payments situation remained critical despite the above measures and, as a result, more drastic measures were introduced towards the end of the financial year.

Efforts have been, however, made largely exempt from the margin requirement for importers. Further, incentives have been introduced to bring in export earnings quickly and a provision of penal interest rates in post-shipment credit has been introduced to discourage delay in repatriations of export earnings.

The report attributes the marked acceleration in price during 1990-91 to the continuation of fiscal imbalances leading to higher liquidity growth, imbalances in demand and supply of essential commodities, the Gulf crisis, disturbed law and order conditions and speculative tendencies.

Seasonal decline in prices which normally occurs in September/October after the arrival of the kharif crops did not occur last year.

The strategy to combat inflation, considered measures to increase production, improve management of supplies and essential commodities, strict monetary and fiscal discipline and enforcement of existing laws to curb hoarding and blackmarketing.

The Department of Economic Affairs, which monitors the current economic trends, says the Indian economy is estimated to have grown at 5 percent during 1990-91.

Consortium Pledges \$6.7 Billion

92AS0052A Madras THE HINDU in English 21 Sep 91 p 1

[Text] Paris, 20 September: The Aid India Consortium of International Donors today pledged a substantial assistance of \$6.7 billions, including the vital fast-disbursing immediate balance of payments help of \$2.3 billions to meet the country's import needs.

The pledge of \$6.7 billions is an increase of 6-7 per cent over last year's level, by 13 countries and several international financial institutions. The pledge includes \$2.2 billions from bilateral sources and the remaining \$4.5 billions from multilateral sources. Of this, as high as \$2.3 billions is in the nature of fast-disbursing assistance on concessional terms or in the form of grant.

This is perhaps the first time that the Consortium has accepted India's plea for fast-disbursing assistance. About 50 per cent of the \$700 millions fast-disbursing assistance from bilateral sources has come from Japan and the rest is mainly contributions from Germany, Britain and the Netherlands. The \$1.6 billions worth of fast-disbursing assistance from the multilateral sources is mainly from World Bank and the Asian Development Bank.

According to World Bank sources, Japan contributed over \$300 millions towards the bilateral fast disbursing assistance. The rest of \$700 millions has come from Germany, Britain and the Netherlands.

Low interest rates

While Britain's help is entirely in the form of grant, the Japanese have made the commitment as a long-term loan on low interest rates. The Japanese assistance is likely to be utilised by India for payment of imports of petroleum from Tokyo. Japan had already provided \$150 millions when India faced the balance of payments crisis in June. The amount was utilised for payment of petroleum import bill. Japan has also given \$150 millions for quick disbursement to the Industrial Development Bank of India.

In addition, India is expected to receive loans of about \$1.8 billions from the International Monetary Fund, the World Bank said in a statement. The donors represented at the meeting in Paris included Germany, Japan, Britain, France, the United States and the European Community.

"The participants expressed their strong support for the resolve, thoroughness and dispatch with which the new Government has acted to introduce a comprehensive set of measures," the bank said. The overall aid commitments for 1991/92 represent an increase of \$400 millions over the previous year.

"Representatives of the donors hoped that these decisions would send strong signals to investors and financial

and commercial markets about the international community's commitment to India's reform measures and its support for meeting transitional difficulties," the World Bank said.

Briefing reporters after the two-day meeting, the leader of the Indian delegation, the Finance Secretary, Mr. S.P. Shukla, said besides the total pledges, some donor countries, particularly Japan, indicated their willingness to meet any further exceptional financing needs should the need arise after the IMF stand-by credit arrangement was in position.

On the whole the conclusions reached at the meeting "fully meet India's expectations," he said. Mr. Shukla said the initial requirements projected in the country's economic memorandum of the World Bank, particularly the unbridged exceptional financing gap, had been fully met by the pledges.

The overwhelming support by the donors and multilateral institutions showed the abiding confidence and commitment of the international community in the success of the macro-economic stabilisation and structural reform measures initiated by India, he said.

Mr. Shukla said some countries such as Italy and France which had failed to make pledges at the last year's consortium meeting had come out to provide assistance.

He said the fast disbursing loan would act as great relief and comfort in a satisfactory management of India's balance of payments.

In addition to Mr. Shukla, the Indian delegation included Mr. C.V. Ranganathan, India's Ambassador to France, Dr. Deepak Nayyar, the Chief Economic Advisor and Mr. N.K. Singh, Joint Secretary, Department of Economic Affairs.

Besides the World Bank, the aid club included Asian Development Bank (ADB), Commission of the European Communities (CEC), International Fund for Agricultural Development (IFAD), International Monetary Fund (IMF), Nordic Investment Bank, U.N. Development Programme (UNDP).

The World Bank Vice-President, Mr. Attila Karaosmanoglu, who presided over the meeting, later said "I really feel it has been a great success and a tribute to the creditable programme put up by the Government of India."

Referring to criticism in certain quarters that the reform programme and fiscal adjustments by India was dictated by the World Bank, he said "I would like to invite those familiar with the Indian scene to refer to the discussions in India and the academic circles about the needs of economy so that they could have an idea of whose programme it is. It is a national programme which we find happy to endorse."

The loans carry a 2.6 per cent interest a year and are repayable in 30 years, including a ten-year grace period.

RBI Releases Annual Report

92AS0044A Calcutta THE TELEGRAPH in English
10 Sep 91 p 10

[Text] Bombay, 9 September (PTI, UNI): A slow-down in industrial growth and a gross domestic product (GDP) of 3 percent are in store for the year 1991-92 as India has to carry on grimly with its tight monetary policy and import compression while trying to contain over-consumption and the consequent ills plaguing the economy, the Reserve Bank of India (RBI) has indicated in its annual report (1990-91).

The growth of income of GDP has been on the decline—from 5.2 percent in 1989-90 to 5 percent in 1990-91 and inevitably to 3 percent as estimated for 1991-92 by the RBI.

"Overall, it is expected that the industrial sector may achieve a growth rate of about 6 percent in 1991-92 against 8.4 percent in 1990-91," the RBI report says but adds, "against the backdrop of the difficulties faced by the economy, a GDP growth rate of 3 percent in 1991-92 as compared to 5 percent in 1990-91, if achieved, should be considered as a very satisfactory performance."

Reduction in public expenditure and investment programme combined with credit restraint would reflect in the form of a reduction in growth rate of major sectors of the economy during the current year under review (1991-92), the RBI said.

The only cheering factor the report said was the expectation of marginal improvement of 1 percent in the growth rate of agricultural production for the current year following "satisfactory" rainfall in all parts of the country barring a few meteorological divisions in Uttar Pradesh, Haryana and Rajasthan, the report said.

The RBI report notes that if the various policy initiatives introduced in the recent period are to bear fruit, there has to be a moderation in price increases.

While depreciation of the rupee by itself can exert some upward pressure in prices through increased cost of imported inputs, other measures such as reduced budget deficit and slower rate of growth in money supply should help in keeping aggregate monetary demand under check, the report points out.

The report says industrial production experienced a deceleration in its growth rate in the second half of 1990-91. Moreover, the performance of the export sector was not satisfactory in 1990-91. In rupee terms, the export growth was just 17.5 percent in 1990-91 as against a growth of 36.8 percent in the previous year. In dollar terms, the growth rate declined to 9 percent from 18.7 percent in the previous year. Generally, there was a slower growth of the infrastructural sectors, and the services sector also registered a sluggish growth.

On a review of price situation, the RBI mentioned that the tempo of increase in prices escalated progressively

especially after the Gulf crisis had crossed the double-digit mark reaching 12.1 percent by the end of the financial year as against 9.1 percent in 1989-90.

The RBI says the results of the "quick estimates" show that the trade deficit in 1990-91 stood at Rs. 15,142 crores (\$84,394) million), higher by Rs. 2,203 crores (\$667 million) over the previous year.

The current account deficit in 1990-91 is expected to be around Rs. 13,100 crores (\$7,301 million), and as a percentage of GDP, the current account deficit is estimated to have gone up to 2.5 percent in 1990-91 from 2.3 percent in 1989-90, the report says.

To shore up its reserves and to stem the deteriorating balance of payments position, the RBI in four installments sent 46.9 tonnes of gold to the Bank of England and as a result a total of \$405 million was raised, the report said. Earlier, the government leased 20 tonnes of confiscated gold to raise about \$200 million.

According to the RBI report, external financing of the order of \$3 billion needs to be arranged in the current financial year.

The report mentions that over the period end-December 1980 to end-December 1989, China depreciated by 68 percent and Indonesia by 65 percent while India depreciated by only 53 percent against the U.S. dollar, whereas the increase in consumer prices in China and Indonesia were lower at 100 percent and 111 percent respectively, against India's 114 percent over the same period.

Therefore, to restore competitiveness of our exports in general to bring about a reduction in trade and current account deficits, a downward adjustment of the rupee had become essential, it was further pointed out.

On the financial sector, the RBI report picks out on the setback on recovery of dues, to say that while there are time-tested procedures for affording relief to borrowers affected by natural calamities, across-the-border loan and or interest waivers have seriously impaired credit discipline.

The report says that the recent experience has been one of a virtual cessation of recovery and also a consequent tendency towards cessation of lending. It is, therefore, necessary to take steps to restore normalcy in the rural credit system.

To improve the overall efficiency of banking operations, viability of the proposed offices in terms of business potential should be one of the criteria and emphasis be given to strengthening the capital base of the banks. Also, with a view to having greater transparency of accounts and operations, the third schedule to the Banking Regulation Act, 1949 is being amended.

While the revised formats of balance sheet and profit and loss account of banks are yet to become effective, banks have been advised to disclose the accounting

policies regarding key areas of operations in their financial statements for the accounting year ended 31 March, 1991 and onwards.

The RBI says further that banks have been advised to adopt prudent accounting practices by avoiding inflation of income through the inclusion of interest, which is not likely to be realised.

Expert Claims Defense Import Figures Inflated

92AS0032A Bombay *THE TIMES OF INDIA*
in English 4 Sep 91 p 1

[Article by N. Suresh]

[Text] New Delhi, September 3—India's defence imports amounted to less than \$3 billion in the last decade and not \$18 billion as claimed by global defence analysts, says an Indian economist after a careful study of the country's defence expenditures.

The figures given by analysts are compiled on the basis of incorrect information and too much importance is being given to it by our planners, said Dr G. Balachandran while addressing experts at the Institute for Defence Studies and Analysis (IDSA) here today.

He said the figures quoted by the Stockholm International Peace Research Institute (SIPRI) and the London-based International Institute for Strategic Studies are inflated and do not take into account the real expenditure.

Dr Balachandran explained that enough information about India's defence expenditure, classified as secret by the government, if one painstakingly goes through the budget documents and other published materials.

He has based his study on the figures of the Balance of Payment (BoP) calculated by the Reserve Bank of India [RBI], the trade balance figures compiled by the Directorate-General of Commercial Intelligence Service (DGCIS), the reports of the comptroller and auditor-general, the annual reports of the ministry of defence, the production figures of 39 ordnance factories and eight defence public sector units [PSU].

For example, DGCIS compiles all trade statistics excluding defence purchases whereas RBI includes everything. Last year, this difference was Rs[rupees]5,000 crores. Foreign analysts calculate this difference as defence expenditure. The economist explained that defence imports are always listed under capital expenditure which are never part of the trade figures. So this difference should not be taken into account.

Similarly, SIPRI has taken into account Indian orders for 100 MI-7 helicopters. Only 53 were actually delivered to India. SIPRI has added an Indian order for 300 T-72 tanks from the USSR made in mid-80's. The country actually bought only 218 tanks each costing about Rs80 lakhs using the rupee-rouble agreement.

However, SIPRI calculated the value of the purchase at the world market rate of \$1.5 million for 300 tanks.

India has bought only 15 IL-76 transporters from the USSR while the SIPRI lists the cost of 20 aircraft.

After taking into account all the defence-related payments, Dr Balachandran has concluded that the country's actual imports in the last decade may not be more than \$8 billion and not \$18 billion quoted by foreign experts.

Nearly 60 percent of the imports were from the USSR which was paid in rupees. So the actual foreign exchange involved was not more than \$3 billion. The defence imports have not significantly affected the BoP situation, he said.

In 1989-90, the ordnance factories produced goods worth Rs 2,338 crores and from the eight defence PSU's Rs 3,053 crores. SIPRI studies just total of this and put India's annual production at nearly Rs 5,400 crores [sentence as published].

On the other hand, the production from the ordnance factories was worth only Rs 1,400 crores, Dr Balachandran said. For there are multiple entries due to supply of materials among the units and this should be taken into account. Similarly, the supplies from the PSU's to the defence services amounted to only Rs 1,800 crores. So the total indigenous defence production was only Rs 3,200 crores.

Progress Reported in Attracting Foreign Firms

Rules for Tie-Ups

92AS0047A Bombay *THE TIMES OF INDIA*
in English 11 Sep 91 p 17

[Quotation marks as published]

[Text] Bombay, 10 September: The Reserve Bank of India [RBI] today announced the rules for automatic clearance of foreign financial and technical tie-ups, the pace for which had already been set by the new industrial policy.

An RBI release has said that proposals such as foreign investment up to 51 percent of the equity capital and foreign technical and financial collaborations both in industries and high priority areas will be approved "in principle" by the Exchange Control Department of the Reserve Bank.

The "final approval" for issue of shares under section 19 of Foreign Exchange Regulation Act (FERA), 1973, would be given by the regional office of the exchange control department in whose jurisdiction the registered and administrative office of the company falls, it said.

Indian companies permitted to issue foreign equity up to 51 percent would be granted general permission under

sections 26 (7), 28, 29 and 31 of FERA act as the non-resident interest exceeds 40 percent, says the RBI statement.

Applications may be made in the prescribed form FC [expansion not given] which would be available from 16 September at the sales section of the RBI Economic Analysis and Policy Department at RBI. The forms will also be available at all the regional offices of the exchange control department of the RBI the statement added.

Ten copies of the application may be submitted to the controller (FITT) of the RBI's Exchange Control department.

The release further states that in foreign technology agreements, the technical know-how and royalty payments, would be net of taxes.

Foreign know-how arrangements in other areas apart from high-priority would also be subject to the same guidelines, points out the release, provided, however, that there is no free flow of foreign exchange for such payments.“ Such payments can be mad through exim scrips and will be net of taxes, says the release.

According to the statement dividend remittances will have to be covered by export earnings of the company by way of export of items whether manufactured by them or procured from the third parties. The dividend remittances should be covered by export earnings of the company either recorded in the years prior to the payment of dividend or in the year of payment of dividend.

The RBI states that authorised dealers are being delegated powers to allow the remittances of technical know-how fees/royalty on production of collaboration approval letters from Reserve Bank/Government of India (in cases where Government approval is required). The Indian company will have to file an annual return in the prescribed form to the concerned regional office of the Exchange Control Department. Reserve Bank of India through the branch of the authorised dealer through whom remittances are made.

According to the releases, proposals for foreign financial and technical collaboration not covered by the above will need the approval of the secretariat for industrial approvals.

As regards hiring of foreign technicians and foreign testing of indigenously developed technology, the release states that a note would be issued separately.

The release also states that in case of foreign investment up to 51 percent of the equity capital in trading companies primarily engaged in exports will also be approved by the RBI. A separate note will be issued shortly indicating criteria for deciding whether an Indian company can be said to be primarily engaged in export activities, add the release.

Interested Firms Named

92AS0047B Bombay THE SUNDAY TIMES OF INDIA
8 Sep 91 p 16

[Text] Two columnists, Charles Percy and David Sloan, who run an international trade consulting firm writing on India's desire to attract foreign investment for the INTERNATIONAL HERALD TRIBUNE recently, advised foreign investors to take the open-for-business sign seriously and step inside. Such advice is necessary because foreigners, after several false starts in the past are skeptical about India's pious pronouncements to welcome foreign investment.

While many continue to doubt the government's intentions, world's leading multinationals are showing unprecedented interest in India. This time it could be different.

- International Business Machines (IBM) is putting up a Rs.[rupees]100-crore project with the Tatas for making computers and office automation equipment.
- General Electric (GE), U.S. will make consumer electrical gadgets in India. Power generation is another interest area. General Electric Plastics BV (GEP), Netherlands, a group company has tied up with Indian Petrochemicals Corporation Ltd. (IPCL) to make engineering plastics in a Rs. 700-crore joint venture.
- BMW of Germany is helping Escorts Ltd. produce about 50,000 to 1 lakh motorbikes in a Rs. 75 crore project.
- DuPont, U.S. wants to make engineering plastics. The company is also considering raising its equity in Thapar Du Pont Ltd., its Indian venture, from 40 to 51 percent.
- British Gas plc, U.K. will bid in the fourth round of oil exploration. The company is looking for an Indian partner to put up a power project.
- Motorola, U.S. is bringing in advanced communication systems—cellular mobile phones, paging systems and data transmission units. British Telecom, Ericsson and Alcatel are looking for a collaboration with the Centre for development of telematics (C-DoT) for similar equipment.
- Kellog Food Company, U.S. plans on a production unit in India to make breakfast cereals mainly for exports.
- Rolls Royce plc, U.K. has offered to set up small gas-based power stations which can feed larger industries in association with a larger industrial house or non-resident Indian groups.
- Guardian Industries Corporation, U.S. is setting up a Rs. 300 crore venture in Gujarat for float glass with Modi Rubber Ltd., Modi Alkalies and Chemicals Ltd. and the State industrial development corporation.

And that's not all. Koyo Seiko Company Ltd. of Japan is buying 10 percent of Sona Steering Systems, Kempinski Hotels, part of Lufthansa wants a 30 percent share in Hotel Leela Venture Ltd. and Uniroyal Goodrich, a 100

percent subsidiary of Michelin France will take a 9.8 percent in MRF Ltd., its Indian collaborator.

Besides, there are a host of other foreign firms ready to pump in more money in the form of higher equity in their existing Indian ventures.

Toshiba of Japan is considering fresh equity investment in Videocon International, part of the Videocon group.

Minnesota Mining and Manufacturing (3M) which holds 40 percent of Birla 3M is also keen on a higher stake. Philips has said that it wants to increase its presence in India in the form of more investment. Boots U.K. is about to step up its stake.

Beyond this a large number of companies are "waiting and watching" to see if and how the implementation of the proposed policy changes takes place.

"A number of firms in the U.K. are watching keenly the changes taking place in India and many are interested in investing here," said Mr. W.L. Mercer, senior director of British Gas on a recent visit.

Korea has sent a high-level trade delegation to probe possible joint projects, technical tie-ups, investment in free trade zones and free sale of plant and machinery. In fact, the Dae-Woo Corporation of South Korea is already looking for sourcing automotive components from India.

According to a spokesman of a leading Japanese company which has a total investment of about \$25 million as equity in India, "liberalisation is not an overnight job. We do not think any immediate action will take place—the bureaucracy will continue."

The government, on its part, has announced a series of measures aimed at strengthening its earlier proposals on foreign investment.

These include automatic clearances to foreign equity investment proposals up to 51 percent with immediate effect. The formation of a four-member Foreign Investment Promotion Board to "invite and facilitate" foreign investment and permitting 100 percent foreign equity participation in the power sector.

The Reserve Bank of India is now authorised to clear applications for automatic approval of foreign technology agreements.

More important, ten proposals with an investment of about \$200 million, have already been cleared. Also, all pending German proposals were approved before the prime minister's visit to Germany.

Automatic clearance to foreign equity proposals in the small sector will be allowed and more multinationals will be permitted to set up food processing factories if they promote small-scale units as ancillaries.

This, however, may not be enough. According to a Japanese firm, "Improving the infrastructure—power, water supply—should be the top priority."

A minority government at the centre is also seen as a setback. "The government's policies keep changing and it is very difficult to decide on future investment plans. At present, all our proposals have been kept on hold," said another foreign company.

General Electric, which is eyeing India's power sector may not invest in it at all. According to GE, it was not profitable enough; the gas pricing policy and the erratic functioning of the State Electricity Boards made investment difficult.

Like Japan, India should first strengthen its domestic market and then focus on exports. A balance between exports and the domestic market is extremely important for the success of Indian industry, says a Japanese multinational.

Obviously, a lot more remains to be done than what the finance minister has promised. One thing, however, is certain. Unlike in the past, it is not very easy for the foreigners to close their eyes to India.

Effects of Soviet Changes on Trade Considered

Protocol Restructuring Desired

91AS1526A Bombay THE TIMES OF INDIA
in English 29 Aug 91 p 15

[Article by Tapan Dasgupta: "India Favours Restructuring of Protocol"]

[Text] New Delhi, 28 Aug (The Times of India News Service)—With delinking of the Soviet republics from the federal government and the dismantling of the Soviet command system, India is keen on a radical restructuring of the next annual bilateral trade protocol in favour of product specific targets. Without such a reorientation, the future of Indo-Soviet trade conducted in rupees, is uncertain.

Operational constraints under rupee payment protocol have emerged on both sides. While the USSR is unable to keep its commitments of supplying newsprint, non-ferrous metals, steel and coal to India, India's exports of consumer and electronic products, drugs and chemicals having high hard currency import content, have been affected because of the foreign exchange crisis. In these circumstances, the Indo-Soviet trade this year is likely to register a negative growth, and India's export target of Rs [rupees] 5,081 crores as also its import target of Rs 4,330 crores are likely to fall short by a few hundred crores.

During the last few years, the extent of non-fulfilment of commitments had been growing and it was on the Soviet side. Last calendar year, since the Soviet Union lacked rupee funds, its purchases from India were financed by the grant of a technical credit to the tune of Rs 1,800

crores by India. Such large technical credits, although they help to provide a market for India's exports, increase India's budgetary deficit which the government can no longer afford.

Commerce ministry officials feel that the Indo-Soviet trade protocol should cover a much shorter list of items. Only such items like newsprint, crude and petroleum products, and fertilisers which are still under the Soviet central authority should be in India's list of imports from the USSR. Outside the protocol, trade should be on the basis of barter, for which India trading houses will establish contacts with the different Soviet republics and decentralised decision-making authorities. The situation is still fluid in the Soviet Union and officials feel that it will still take some time to propose the changes in the bilateral trade protocol.

One welcome sign is that the Soviet side has realised that the rupee-rouble exchange rate of Rs 30 to a rouble has acted as a great disincentive to Soviet exports to India. Talks between the two countries during the last few years have made no headway because the Soviet side is against any change in the exchange rate that may be made applicable to the rouble credit India has accumulated because of its defence purchases and other infrastructural projects built with Soviet assistance.

However, just two days before the abortive coup in the Soviet Union, the Indian Government was informed that the USSR Government was willing to lower the rate from Rs 30 to a ruble to Rs 15 to a rouble for Soviet internal conversion. The objective was to make Soviet goods competitive. Since the Indo-Soviet trade is in rupees, the new rate would not affect India's exports as the Soviet retail price of Indian goods is many times the actual purchase price.

But India's main problem relates to the rouble credit which has to be repaid through exports to the Soviet Union, and here the Soviet side is against any change in the rupee-rouble exchange rate, it appears that the issue can be resolved through a high level political dialogue between the two countries.

Commerce ministry officials say that with the Soviet Union having opted for the market economy, trade between the two countries will have to be diversified. India cannot depend on the traditional items like tea, coffee and tobacco and garments to expand its exports to the Soviet Union. Presently, nearly 60 percent of Indian tea, and 55 percent of coffee exports go to the Soviet Union. But the export of these items grew over the years because India lost its markets in hard currency areas.

Also, little efforts were needed to export these items, because the Soviet purchase teams visit India and place the orders. The situation will now change dramatically, and all these items may face competition in the Soviet market.

As for manufactured items having high import content, there is a natural discouragement to exports to the Soviet

Union. After 31 December, any export to the USSR will be entitled to exim scrips which can be used for imports only from the rupee payment areas. This single factor will bring down the attractiveness of exports to the Soviet Union. The Indo-Soviet trade talks scheduled to begin in New Delhi on 9 September are to note all these likely changes in the nature of trade between the two countries. The talks may also mark the beginning of a new orientation in the bilateral trade protocol for 1992.

Slowdown in Trade Expected

*91AS1526B Bombay THE TIMES OF INDIA
in English 24 Aug 91 p 13*

[Article by D.G. Gupte: "Ramifications of Soviet Developments"]

[Excerpt] Financial and corporate circles in India hope that after the recent turmoil in the Soviet Union, normality will return to that country soon. This is considered essential, since it will have far-reaching implications for countries like India, which have close co-operation with the Soviet Union in political and economic fields.

For some time, chilly winds are blowing in Indo-Soviet trade. The problem has been triggered by common problems being experienced by both the countries, like turbulence in the economic and political climate, low foreign exchange reserves and currency depreciation. The dissonance in the trade climate has arisen out of the mismatched trade product portfolio. The net result has been that Indo-Soviet trade is expected to slow down considerably in 1991.

Indo-Soviet Trade

At the end of 1990, India had a clear favourable trade balance of the order of Rs [rupees] 1,800 crores, with India's exports to the Soviet Union amounting to Rs 5,300 crores and imports to Rs 3,500 crores. In late July 1990, the rupee-rouble trade agreement was extended for five years up to 1995. While the Soviet Union is anxious to export more to India, India is reluctant to pick up manufactured items like machinery. India also wants to tone down exports of products, which have a high import content.

Many observers feel that the rupee-rouble rate has worked at a considerable disadvantage for India, where the unit value of realisation of exports to the USSR has gradually decreased since 1982-83, while imports from the Soviet Union have become more expensive since 1985-86.

In addition to the problem of complementarity of products traded and the rupee-rate deterioration, there is considerable apprehension that since the whole of the Eastern bloc countries, including the Soviet Union, will finally have to accept the discipline of hard currency trade, the USSR is unlikely to import large quantities of manufactured products from India, unless there is a very

substantial price discounting or liberal credit terms. India will then have to compete with European suppliers as well as their counterparts in the United States in its export effort.

The trade between India and the Soviet Union will then settle around traditional commodities like tea, coffee, cashew nuts on the one side and crude oil, non-ferrous metals, kerosene, pig iron and newsprint on the other. Moreover, in the short term, money for payment for standard consumer products or even semi-luxury items like shoes may not be available in adequate quantities in the Soviet Union. As it is, state trading firms are being dismantled fast in the Soviet Union, and their position being taken up by individual entrepreneurs and traders.

Following the recent turmoil in the Soviet Union, it remains to be seen whether the Western bloc countries would like to support the Eastern bloc countries with the same vigour as was seen in recent months, or whether they would like to go slow. If they decide to go slow, and if the financial assistance from G-7 countries as also from the multilateral financial institutions like the World Bank and the IMF is not forthcoming, the Soviet Union will have to depend on former partners like India.

Close Watch Needed

With the change in the world political scene, economic considerations are bound to decide the cooperation between the various blocs and various countries. India will thus have to keep a close watch on the world developments and play its cards cautiously. Else, it will miss the bus. It will have to make concerted efforts to increase trade with the Western bloc. At the same time, it can provide expertise in building up the trade and financial sectors in the Soviet Union, and setting up joint ventures in the industrial and services sectors.

The unification of Europe in 1992 and the likely changes in the Far-East region following the decision on Hong Kong in 1997 will also have to be kept in view, and advance steps taken to protect the country's interest. Rather than getting bogged down to resolve only the short-term problems, India will have to come out of its shell and play its role in the world economic scene. It has the capacity to do it. Only there should be the necessary political will. [passage omitted]

Negotiations on Rupee-Ruble Trade Succeed

92AS0036A Bombay THE TIMES OF INDIA
in English 10 Sep 91 p 17

[Text] Moscow, Sept. 9—Amidst the uncertain future of India's valued rupee-rouble trade and with the new economic strategies being drawn up for the Russian federation and the other republics, the latest negotiations between Russian and Indian officials has yielded, unexpectedly, positive results.

Thanks to some energetic negotiating by Indian embassy officials here, Soviet officials have agreed to supply up to

10 million tonnes of oil under the existing agreements. This would result in a shortfall of just 700,000 tonnes which embassy officials see as "very satisfactory."

It was originally feared that with the changed leadership and the new economic directives that all payments be made in hard currency, India's present needs may not be met by the Soviets for that would necessitate dollar payments for the 4.8 million tonnes.

The Soviets have been supplying their Soviet export blend, almost half of the present tonnage, and the rest direct supply from Arab suppliers as part of a swap deal plagued by plummeting production and obsolescent technology using second rate production techniques—something they hoped to change with Western collaboration. With the practice of earning hard currency, it was expected that the Soviets have supplied 2.4 million tonnes until August end, would insist that the remaining quota of 1.4 million tonnes would have to be paid in dollar [sentence as published]. Instead, they have agreed to stick by the old terms. Besides oil, the country had also agreed to grant under the old terms 6,000 tonnes of equipment and 20,000 tonnes of steel structures (essentially for Durgapur and Vizag plants).

After December this year, it is expected that all terms would be renegotiated and both countries may be forced to come to a hard currency arrangement. But officials here say it is even to the Soviet Union's advantage to stick to the rupee-rouble arrangement.

India now supplies, besides tea, coffee, leather garments, shoe uppers, textiles and garments, cosmetics, toiletries, pharmaceuticals, medicines, food processing machinery, medical instruments and electronic items. The Soviet Union has been supplying key commodities such as oil, fertilisers, pig iron, coal, newsprint, power and steel equipment.

It would be difficult for India to get this kind of an arrangement at the all-union level and it would not be possible to negotiate with each republic. But most of the current Soviet supplies come from the Russian federation and the rest from Ukraine and minor items from other republics. What is left to be seen is to strategy adopted by Mr Silayev and his federation's economists, its new economic thinking in its future dealings with India.

Envoy to Moscow Discusses Indo-Soviet Trade

92AS0046A Bombay THE TIMES OF INDIA
in English 19 Sep 91 p 13

[Text] Moscow, 17 September (PTI): The Soviet oil supply to India is likely to reach between 3.8 million tonnes to 3.9 million tonnes this year against the target of 4.2 million tonnes due to slump in Soviet production.

Besides oil, the problem of across the board shortfall in Soviet supplies in view of the upheavals caused by last month's coup has been taken up by the ambassador, Mr.

Alfred Gonsalves, with top Soviet leadership and the issue has been put to the President, Mr. Mikhail Gorbachev.

Mr. Gonsavles told reporters yesterday that he had met Mr. Gorbachev's adviser, Mr. Vadim Medvedev, and acting Soviet minister for foreign economic relations, Mr. I.A. Kachanov, to discuss this problem of "urgent nature." They had submitted the issue to Mr. Gorbachev, he said.

The Gonsalves said both view that there was merit in continuing the rupee trade arrangement. The talks showed that the Soviet side was keen to sustain imports from India but would like new items to be added to its export basket to India, he said.

With the collapse of the highly centralised system in the wake of the coup, the interim mechanism for trade would mean republics select items for export to India and earn rupees with which they would buy goods from India or they would be guided by a central authority or commission.

This mechanism is likely to last till an inter-republican committee is set up as part of the proposed reshaping of the relations between the republics.

Asked about oil supplies, Mr. Nirupam Sen, minister (economics) at the embassy, said the total supplies this year would reach between 3.8 million to 3.9 million tonnes while agreement was for 4.2 million tonnes.

According to Soviet estimates, there would be 20 per cent decline in their oil production this year.

Mr. Gonsalves and Mr. Sen were of the view that it was in the Soviet's interest to continue their export to India as it (India) was a reliable partner and paymaster. India could make available goods badly needed by the Soviets, they said.

The trade turnover this year would be around Rs. 3,000 crores of which Rs. 2,000 crores was in repayment for civilian and defence supplies from the Soviet Union.

Mr. Gonsalves said Mr. Biryukov, minister for light industry of Russian Federation, had met him seeking a five-year arrangement for shoe uppers after failing to get the commodity from other sources.

Mr. Gonsalves said he had told him that India cannot have arrangement only for shoe uppers and it was ready for across the board trade.

Mr. Biryukov said he would take up the offer with Russian Premier, Mr. Ivan Silayev, who also heads the interim committee to manage the Soviet economy.

On defence supplies, Mr. Sen said the Soviet have large defence equipment and India was a reliable buyer.

Papers Report Developments in Oil Industry

New Contract Offering

91AS1519A Madras THE HINDU in English 26 Aug 91 p 7

[Text] New Delhi, 25 Aug—The Government will shortly issue tenders for the fourth round of bidding for awarding exploration contracts for oil and gas in 72 blocks (39 offshore and 33 onshore) spread over 17 basins. While the terms and conditions will be similar to those in force for the third round, a new feature of the fourth round is the production sharing concept with a contract term period of 25 years in the case of crude oil and associated gas and up to 35 years in the case of non-associated gas.

In an informal chat with newsmen here, the Union Minister for Petroleum and Natural Gas, Mr. B. Shankaranand, said that in order to accelerate the quest for oil and gas reserves in the sedimentary basins and to supplement the efforts of ONGC [Oil and Natural Gas Commission] and OIL [expansion not given], the Government had gone in for three licensing rounds since 1980. In all 10 contracts were signed in three rounds of bidding with six groups of international companies. These companies spent over \$124 millions on exploration operations without discovering any hydrocarbon.

Three Phases

Under the fourth round, the companies could bid for a purely seismic option in the first phase of exploration. The total exploration period would extend up to seven years and comprise three phases with a percentage of the original contract area being relinquished by the company at the end of each phase. In the event of a commercial discovery of oil or gas, the companies concerned would be entitled to participate in the development of these hydrocarbon resources, recover costs incurred by them on exploration, development and production operations and earn a reasonable rate of return on their investment. The returns would accrue to them in the form of profit oil which would be shared between the companies and the government.

The Petroleum Minister said both ONGC and OIL would normally have the option of taking a 30 percent carried participation interest in the contract, without payment of past exploration costs, which would be exercisable in the event of commercial discovery. Over and above this, both ONGC and OIL would also have the option of acquiring an additional 10 percent working participation in any block they chose with 10 percent of the exploration cost being correspondingly shared by the two. Special provisions had been made for involving participating companies in the development of natural gas, both associated and non-associated, with the intention of fully utilising the natural gas reserves available in the country.

While the Notice Inviting Tenders (NIT) would be issued shortly, a six month period would be given to the companies to put in their bids. Thereafter, negotiations for finalisation of contracts would start and the contracts would be finalised by September-October 1992, he said.

Panel Set Up

In order to ensure effective utilisation of natural gas produced in the country, a gas linkage committee had been set up in the Ministry of Petroleum and Natural Gas. The Committee would review the existing utilisation of gas being produced, examine the cases where gas supply although committed had not yet been utilised by consumers and recommend effective use of available gas.

Expressing concern at the fall in domestic crude oil production, Mr. Shankaranand said the Government had already identified reasons and would soon take measures to restore optimum production capacity of oil fields.

The Petroleum Minister said that due to the grave foreign exchange constraints, the Government was exploring the possibility of tying up foreign exchange financing of selected oil field development projects through multilateral agencies. Already the World Bank had agreed to extend loan for financing the ONGC's Gas Flaring Reduction Project which would ultimately save 8.33 million cubic metres of gas a day (valued at Rs[rupees]425 crores annually) currently being flared in Bombay High. This project was expected to cost Rs 7,500 crores with the foreign exchange component alone being Rs 5,000 crores. Apart from the World Bank, the Asian Development Bank and the Japanese EXIM [Export-Import] Bank had also been approached to co-finance the project.

Mr. Shankaranand said the Gandhar Oil Field Development Project, approved by the Public Investment Board on 22 August with an expected cost of Rs 1,245 crores had also been posed to ADB [Asian Development Bank] for financing. All efforts were being made to ensure that the reserves discovered by national companies were brought into production at the earliest so that there was no shortfall in crude output.

Referring to the refining capacity, the Minister said the total refining capacity in the country now was 51.85 million tonnes which was lower than current demand of 56 million tonnes per annum. However, by 1994-95 the demand for petroleum products would rise to 77 million tonnes and by the year 2000 it would increase further to 101 million tonnes.

Grass-Root Refineries

While the expansion and debottle-necking of existing refineries would increase the refining capacity by 8.15 million tonnes the Government also planned to set up new grass-root refineries. A three million tonnes per annum (MTPA) refinery at Mangalore and a 0.5 million MTPA crude distillation unit at Narimanam in Tamil

Nadu had recently been approved. A six MTPA capacity refinery at Karnal and three MTPA capacity refinery at Numaligarh in Assam were also under the consideration of the Government. In addition there were also proposals to set up three new grass-root refineries of six MTPA each in Central India, Western India and Eastern India. These were likely to be set up during the Eighth and Ninth Plans.

Mr. Shankaranand said that after setting up all these refineries the total refining capacity in the country would go up to 90 million tonnes per annum. But there would still be a gap of 10 MTPA by the end of the century.

For the current fiscal 1991-92, the Government had approved the import of 19.6 million tonnes of crude oil, 5,089 million tonnes of HSD [high-speed diesel], 3,656 million tonnes of SKO [expansion not given] and 0.881 million tonnes of others. The Petroleum Minister said the imports were being arranged through term contracts with national oil companies of major oil producing countries and by spot purchases. However, due to the present balance of payment difficulties, all spot purchases were being made on credit.

Geologist on Untapped Deposits

91AS1519B Calcutta THE TELEGRAPH in English
12 Aug 91 p 7

[Text] New Delhi, 11 Aug (PTI)—India is sitting on two huge oil reservoirs in West Bengal and Gujarat, which can make it a crude exporting country from a net petroleum importing one, claims Mr. K.C. Chaudhary, a geologist who has served the Oil and Natural Gas Commission [ONGC] for nearly three decades.

The Bengal carbonate reserve and its adjoining offshore and the sandstone stratigraphic traps of Kathana Kalamsar of central Gujarat, if tapped properly, can help recover as much as 22 million tonnes of oil every year, he told PTI.

At today's crude prices it would mean an enormous saving of over Rs[rupees]10,000 to Rs 15,000 crores or more, Mr. Chaudhary said, adding that the reserves, discovered in 1977 and 1985 respectively, are yet to be exploited on a large scale.

Mr. Chaudhary, who worked last in Gujarat, said the country's production had almost remained stagnant at 30 million tonnes since the late seventies. Keeping in view the average consumption of oil of 50 million tonnes a year, 20 million tonnes of crude had to be imported to bridge the demand-supply gap, he noted.

If reserves like this are not exploited, Mr. Chaudhary warned, the possibility of clearing the international debt standing at over Rs 160,000 crores would be remote and India may have to go in for additional loans on harder terms from international agencies.

Conspiracy

Mr. Chaudhary charged that the fields had been neglected over the years as there was a "conspiracy" by some multinational oil companies to prevent India from reducing its imports or becoming an oil exporting country from a net importer.

He said the giant petroleum reserve in the carbonate reservoir in West Bengal and the adjoining offshore Bay of Bengal was discovered in 1984. Offshore data on this was acquired by the Natomas group of oil companies of the United States and onshore data of the southern part by a Soviet team.

The study revealed the presence of porous oil bearing carbonate rocks at a depth of 5,000 metres. The rocks are of the eocene period, about 60 million years old.

These rock layers are oil bearing along a 10 km wide, northeast-southwest alignment through the districts of South 24 Paraganas, North 24 Paraganas and Nadia up to the Indo-Bangladesh international border, a distance of 200 km.

The promising area is within 600 metres east of the well drilled by the ONGC near Diamond Harbour in South 24 Paraganas, he pointed out.

Layers Not Tested

Mr. Chaudhary said an electrolog interpretation of the layers, as carried out by Mr. P.K. Chatterjee of ONGC, reveals oil potentiality of those layers. The well completion report of Diamond Harbour by Mr. S.P. Mitra reveals that despite his strong recommendations these layers were not tested.

In offshore Bay of Bengal, he said, the promising area is further extended southwest for a distance of about 100 km. The seismic records further southwest in water having a depth of more than 10 fathom (about 20 metres) were of poor quality and could not be interpreted.

Extrapolating the Diamond Harbour well records, average effective thickness of the porous carbonate rocks has been worked out to be around 50 metres with about 30 percent porosity and 70 per cent of porespace saturated with oil.

The preliminary estimate of oil reserve is around 28.5 billion tonnes. "This giant reserve is capable of making India a leading oil exporting country of the world, but it has not been done," he stated.

Gulf Green Well

He informed that for the first time the petroleum potential of the carbonate rock was investigated by drilling a well within the promising areas near Boral in south Calcutta, which is known as Gulf Green well.

Sonic, neutron resistivity and density of logs of well between 5,428 and 5,730 metres, acquired by Schlum

Berger and Company of France on 14 February 1991 and interpreted by experts of that company on 15 March 1991, have confirmed the presence of 40 metre thick oil-bearing horizon between 5,430 and 5,470 metres.

He said it is most likely that some more promising layers in the carbonate rock have been encountered above 5,428 metres in that well. "But that well cannot produce oil from any layer because the isolation casing pipes have been mysteriously damaged almost beyond repair," he claimed.

Reserve in Gujarat

On the second petroleum reserve in central Gujarat, Mr. Chaudhary said it was discovered between 1977 and 1983 by the reinterpretation of well records and analog seismic data of Khera district between the Sabramati and Mahi rivers.

The reservoir rock is of the oligocene period (about 400 million year old rock sequence) and has been deposited in an area of 600 square km, he said, adding that the rock is porous, permeable and is expected to be oil bearing in an area of 200 square km in eight different stratigraphic traps.

This has been encountered at a depth of 1,240 metres at the Kathana well No. 26, 1600 metres at Kalamsar well No. 1 and 1,645 metres at east Cambay wells to the west of the area.

From the reservoir characteristics of the rock it has been concluded that for optimum production of oil, one well drilled per square km would be sufficient to produce 250 tonnes of crude oil per day per well from the reservoir, he said.

Mr. Chaudhary said the reservoir was capable of producing 22 million tonnes of crude oil per year for about 10 years by primary production methods.

"To produce that volume of oil, 200 wells of 1,700 metres depth are required to be drilled," he said, adding that these wells could be drilled with portable rigs. The terrain of the Cambay project area is excellent.

Planning Panel Meets, Objectives Defined

92AS0051A Madras THE HINDU in English 20 Sep 91 p 1

[Boldface words as published]

[Text] New Delhi, 19 September: The Planning Commission has opted for a realistic and lower growth scenario of 5.6 percent per annum for the Eighth Five Year Plan period, scheduled to begin from 1 April 1991. Also, in keeping with the new economic policy, the investment target for the public sector will be lower than the target set for the private sector.

The much-delayed decision on the size and growth rate for the Eighth Plan took place today at the first full

meeting of the newly-constituted Planning Commission. The Prime Minister, Mr. P.V. Narasimha Rao, who is the Chairman of the Commission participated in the discussions along with the Agriculture Minister, Mr. Balram Jhakar, the Finance Minister, Dr. Manmohan Singh and the Defence Minister, Mr. Sharad Pawar. Other full time members of the Commission, including the Deputy Chairman, Mr. Pranab Mukherjee, were all present at the meeting.

Two alternatives: For the Eighth Plan, the Planning Commission had prepared two alternative scenarios—envisioning 5.6 percent growth and 6 percent growth—corresponding to two Plan sizes of Rs.[rupees]793,000 crores and Rs. 856,000 crores. After considerable deliberations, it was decided to go in for the 5.6 percent growth Plan which envisaged a domestic savings rate of 5.6 percent, incremental capital output ratio (ICOR) of 4.1 percent (the same as this year) and external assistance (current account deficit) of 1.4 percent of the gross domestic product (GDP) working out to Rs. 49,000 crores in absolute terms. The export growth is estimated to be 13.6 percent per annum.

In this Plan, the gross investment by the public sector has been set at Rs. 342,000 crores while the private sector investment has been pegged at Rs. 450,000 crores, reversing the earlier trend of setting a higher investment target for the public sector. Even the Eighth Plan outlay worked out by the National Front Government a year ago had indicated public sector investment at Rs. 335,000 crores in a total Plan size of Rs. 610,000 crores.

'Conceptual confrontation:' Briefing presspersons here today about the salient points made by the Prime Minister at the meeting, the Commission Deputy Chairman, Mr. Pranab Mukherjee said the Prime Minister had suggested that the Commission undertake a detailed scrutiny of the public sector undertakings, both at the Centre and State level, and come out with concrete proposals for improvement of efficiency. Referring to the "conceptual confrontation" between environmental protection and developmental needs, the Prime Minister suggested that the Commission work out suitable mechanism to arrive at a reconciliation for expediting development. It was also pointed out that a poor country like India could not go on changing technology every year and therefore a strategy should be worked out where appropriate technology could be forecast sufficiently ahead of time and a futuristic approach of the technology needs could be evolved.

Panel to go into revised Gadgil formula: About other items on the agenda, Mr. Mukherjee said it was decided to set up a committee to examine further the various aspects of the revised Gadgil formula and the consensus formula for the consideration of the National Development Council (NDC). The committee will comprise Mr. Mukherjee, Dr. Manmohan Singh and Dr. C. Rangarajan, Member of the Planning Commission. A consensus

formula on amending the revised Gadgil formula, which determines the quantum of Central assistance to State Plans, had been worked out in the NDC meeting last year but subsequently, some States had forwarded their objections. The matter is pending since then.

The Commission also decided to adopt the recommendations of the Narasimha Rao Committee on the transfer of Centrally-sponsored schemes to the States. This Committee had submitted its recommendations in 1987 where it had identified some 125 schemes to be retained by the Centre, 113 to be transferred to the States and another 42 to autonomous bodies. It was also agreed that if the States want more schemes, these may be progressively transferred to them.

Energy policy: The Commission also agreed that the non-Plan expenditure of the Government should be brought down by rationalising the manpower in the Central Government as well as in the State Governments. A lean and responsive administrative system should be built up, it was felt. On the energy policy, the agreement was to shift in the medium term towards more of hydro and coal based power generation rather than petroleum or oil based generation. As a first step, electrification of the railways and improvement in coal production and higher investment on hydel power was recommended.

Talking about the Planning Commission, Mr. Mukherjee said it was felt that its role should be indicative. The endeavour would be to develop the core sector through allocation of funds, ensure growth of the economy through policy packages and to give greater responsibility to the States for the development of the social sector. The Commission would develop a holistic approach to the policy formulation in critical areas such as energy, human resource development, backward area development, management of the balance of payments problem, etc.

Adjustment process: Asked about the availability of resources for the Eighth Plan, the Deputy Chairman expressed the confidence that with the parameters set for domestic and foreign savings, it would be possible to finance the Plan. The inflation rate, which was on the high side now, was also expected to flatten out as it had happened in the past. The Plan also had enough flexibility to take care of the results of the adjustment process which had been set in motion by the Government and which was expected to start showing results within 18-20 months time.

The Commission would also try to ensure that the pattern of financing was such that it did not lead to inflationary pressures. By this it was implied that Government's access to credit from the Reserve Bank (budget deficit) was restricted to non-inflationary levels and that more recourse was taken to internal resource generation.

Court Upholds Bhopal Award, Details Released
92AS0112A Madras THE HINDU in English 4 Oct 91 p 1

[Article: "Court Upholds Award for Bhopal Gas Victims"; quotation marks as published]

[Text] New Delhi, Oct 3—The Supreme Court today upheld the validity of its 1989 orders of "settlement" in the Bhopal gas leak disaster case which had directed Union Carbide Corporation (UCC), the U.S. multinational, to pay \$470 million before a specified date in "full and final settlement" of all civil claims, rights and liabilities arising out of the industrial disaster.

The gas leak took place in a chemical plant of the Indian subsidiary of the UCC at Bhopal on the night of December 2 and 3, 1984, when about 4000 people residing in the area died and tens of thousands were subjected to various physical disabilities and ailments due to the release into the atmosphere of the deadly methyl isocyanate gas (MIC).

Immunity Goes

The apex court had passed the settlement orders on Feb. 14 and 15 in 1989. A Constitution Bench of the Supreme Court, which unanimously upheld the 1989 orders today, however, set aside portions of the orders of 'settlement' that had quashed the criminal proceedings against the officials concerned of the UCC and its Indian subsidiary, Union Carbide India Limited (UCIL), in this regard.

The Bench, by a majority of four to one, directed that the Union of India [UOI] as a welfare State should make good any excess in the amount of compensation that might ultimately have to be paid to the gas leak victims under the 'scheme' envisaged under the Bhopal Gas Leak Disaster (Processing of Claims) Act, 1985 over the 'settlement' amount of \$470 million.

In pursuance of the apex court's orders of 'settlement', \$470 million had since been deposited by the UCC to the credit of the Registrar of the Supreme Court in the Reserve Bank on which interest is accumulating.

The main judgment was delivered by Mr. Justice M. N. Venkatachaliah, Mr. Justice K. N. Singh and Mr. Justice N. D. Ojha. The Chief Justice, Mr. Ranganath Misra, pronounced a separate but concurrent verdict, Mr. Justice A. M. Ahmadi, in a separate judgment, however, differed on the question of payment by the Union of India. Mr. Justice Ahmadi took the view that unless the Union of India was held liable it could not be directed to pay such excess amount of 'compensation', if any.

Order to M.P. [Madhya Pradesh] Government

The Bench directed the Union of India and the Madhya Pradesh Government to take expeditious steps and set up an adequate machinery for adjudication of claims and determination of compensation. The appointment

of the "claim commissioners" under the 1985 Act shall be completed expeditiously and the adjudicative process must start "within four months from today," the Bench said.

It directed that in the matter of disbursement of the amounts so adjudicated and determined it would be proper for the authorities administering the funds to ensure that the money—wherever the beneficiaries were illiterate and susceptible to exploitation—was properly invested for their benefit so that while they received the income therefrom, they were not deprived of what might turn out to be the sole source of their living and sustenance for the future.

Create Hospital

In this context, the Bench suggested that the Government consider such investments being handled by promulgating an appropriate scheme under the Unit Trust of India Act to afford to the beneficiaries not only adequate returns but appropriate capital appreciation to neutralise the effect of denudation by inflation.

For eight years facilities for the medical surveillance of the population of Bhopal exposed to the MIC gas should be provided by periodical checkup. For this purpose, a hospital with at least 500 beds with the best of equipment and facilities should be established. The facilities shall be provided free of cost to the victims at least for eight years from now. The State Government shall give suitable land free of cost. Other expenses should be incurred by the UCC in this regard in pursuance of its offer in the Bhopal civil court, the Judges ruled. The allocation of land shall be made within two months and the hospital constructed, equipped and make functional within 18 months, the Bench said.

The unutilised part of the interim relief of \$5 million—which was sent to the Indian Red Cross at the instance of UCC through the American Red Cross—would become part of the "Bhopal Gas relief fund" and shall have to be administered as such. The Registrar of the Supreme Court shall be entitled to call up the funds with the Indian Red Cross Society which stood unutilised as on February 15, 1989.

The Bench held that the apex court had jurisdiction under Article 142 of the Constitution to withdraw to itself the original suits pending in the District Court of Bhopal and dispose of the same in terms of the "settlement." It also had jurisdiction to withdraw to itself the criminal proceedings pending in a Bhopal criminal court, though, however, on the facts and the circumstances of the case, it set aside those portions of the orders of "settlement" which quashed the criminal proceedings.

Article 142(1) says, inter alia [as published], that the Supreme Court in exercise of its jurisdiction may pass such decree or make such order as is necessary for doing complete justice in any cause or matter pending before it. The Judges held that the "settlement" was not vitiated

for not affording the victims and victim-groups an opportunity of being heard (before the Court-assisted "settlement" was arrived at, between the Union of India, on the one hand, and UCC and UCIL, on the other).

The Bench rejected a contention on behalf of certain victims that the orders of "settlement" were void as opposed to public policy and as amounting to stifling of criminal prosecution.

The Court directed that in respect of the population of the affected wards (excluding those who have filed claims), the Government of India shall take out an appropriate "medical group insurance cover" from the Life Insurance Corporation or the General Insurance Corporation for compensation to those who, through now asymptomatic and filed no claims for compensation, might become symptomatic in future and to those later-born children who might manifest congenital or prenatal MIC-related afflictions. There shall be no upper individual monetary limit for the insurance liability and the period of insurance shall be for a period of eight years in future. The number of persons to be covered by this group shall be about one lakh persons and the premia should be paid out of the settlement fund, the court said.

Government Stand 'Surprising'

The Judges described as "indeed surprising" the conduct of the Union of India in supporting the petitioners in

seeking a review of the Court's orders of settlement when it (UOI) had itself entered into the Court-settled settlement. The UOI had neither sought the Courts' leave to withdraw from the settlement on permissible groups nor filed a review petition.

The Chief Justice in his judgment had noted that when dealing with this case, "this Court has always taken a pragmatic approach." Under our constitutional discipline, determination of disputes has been left to the hierarchical system of courts and this Court at its apex has the highest concern to ensure that the rule of law works effectively and the cause of justice is in no way suffers."

Mr. Ranganath Misra also said to have a "decree" (on final adjudication up to apex court level in the civil suits for compensation) after struggling for a quarter of a century with the apprehension that the decree may be ultimately not found executable (in U.S. courts under the relevant "due process" classes in money matters) would certainly not have been a situation which this court could countenance and that the value of total assets UCIL was only about Rs. 100 crores.

The Bench was disposing of a connected group of review petitions and also writ petitions filed on behalf of certain Bhopal gas leak victims.

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